



**Management Board Report on  
the activity of Bank Millennium  
S.A. and Capital Group of Bank  
Millennium S.A. in 2023**

*This document is a translation from the original Polish version. In case of any discrepancies between the Polish and English versions, the Polish version shall prevail.*

*This document is not the official version of the Management Board Report on the activity of Bank Millennium and Capital Group of Bank Millennium of 2023. Official Management Board Report on the activity of Bank Millennium and Capital Group of Bank Millennium of 2023 was prepared in accordance with the ESEF requirements.*

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Dear Ladies and Gentlemen,

I am glad that at the end of 2023, Bank Millennium can proudly announce so many significant successes. They are supported not only by numerous awards and a high level of service quality and care for a positive customer experience, but also by good business results. Let us emphasise that these results were achieved in difficult times. The year 2023 was full of challenges, persistent geopolitical and economic uncertainty, and the ongoing conflict across our Eastern border. Numerous developments and new regulations led to additional costs, which in turn required flexibility and bold decision-making in response to the expectations of our customers, employees and shareholders. The ambitious strategy that we pursue, allows the Bank to be largely resilient to the shocks and unrest that persist in its environment. We are pleased with the results we achieved in three main business areas: recapitalisation, business and financial performance and the implementation of our strategy.

We restored **very strong capital levels**. At the end of December, the Bank's Common Equity Tier 1 ratio increased to 14.7% and TCR to 18.1%. This means a significant surplus over the minimum capital requirements. At the same time, at the end of the year, we met the MREL requirements. Our liquidity ratios improved further. In 2023, we carried out two securitisations: one of leasing and one of cash loans. The last quarter of 2023 was the fifth consecutive quarter in which Bank Millennium recorded a net profit. Suffice it to say that we closed the entire year with a net profit of PLN 576 million, and importantly, despite costs of FX mortgage loans remaining very high. We consistently sign settlements with our FX mortgage clients. At the end of 2023, we had more than 21,000 voluntary agreements signed, which corresponds to 35% of the number of loan agreements active at the time of the full launch of the voluntary agreement process.

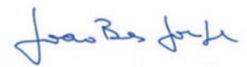
We acted effectively and consequently, achieved a lot of our key goals ahead of the schedule. The biggest milestone was reaching the threshold of **three million active retail clients**. The target originally planned for the end of 2024 was recorded 12 months earlier. Strong digitalization is also important, the share of our digitally active customers totals 90%. We designed a completely new mobile application for corporate banking. We offered accounting services to micro-entrepreneurs. We have been implementing each of the levers of development in accordance with our current strategy "Inspired by people". We have just entered the last year of its implementation and preparations for the development of a new one, covering the horizon until 2027, have been launched.

We consistently pursue **our ESG** (environmental, social and corporate governance) goals. Bank Millennium Group's scope 1 and 2 emissions in 2023 were 70% lower than in 2020. We are working on developing a range of green products to support entrepreneurs in running a sustainable business. We also joined the United Nations Global Compact and signed the UN Global Compact's Ten Principles. We want to actively exchange experiences and improve our knowledge for sustainable development.

Behind Bank Millennium's successes there are **people** - clients who trusted us and employees who were actively involved not only in business challenges. We are strengthening the tools for effective listening to the opinions of our employees. Based on the collected information, we are changing the way we manage so that the quality of our work together is better every day. We introduced a new salary, position and career model.

In 2023, Bank Millennium employees dedicated **over 12 thousand hours to educational, sports, social and environmental initiatives**. In various parts of Poland, they implemented 26 eco-volunteering projects. Pro-ecological, educational and environmental projects were submitted in the grant competition of the Bank Millennium Foundation. They previously raised funds for this purpose in Our People'23: Save the Planet! programme. The initiative encouraged employees to take up physical activity. Effort and kilometres from walking, cycling, swimming, exercising, etc. were first converted into points and then into zlotys that were used to support the unique Our People programme.

I am grateful to the employees of Bank Millennium for their commitment and daily, systematic work. I would like to thank our customers for their trust and recommendations. I am proud of every award the Bank has received: winning both categories of Newsweek's Friendly Bank ranking; Golden Banker in the "Puls Biznesu" ranking; the best digital bank in Poland according to the "Global Finance" magazine; the title of "Reliable Employer" for the 9<sup>th</sup> year in a row. And already in January this year, we received the Top Employer award. I feel satisfied with the fulfilment of the promises I have made and look forward to 2024. I encourage you to read the report.

A handwritten signature in blue ink, reading "Joao Bras Jorge".

Joao Bras Jorge

Chairman of the Management Board of Bank Millennium

## 1. BRIEF DESCRIPTION OF BANK MILLENNIUM AND BANK MILLENNIUM GROUP

Bank Millennium S.A. ('Bank Millennium', 'Bank') was established in 1989 as one of the first Polish commercial banks. It is now one of the top 7 commercial banks in Poland in terms of assets and offers its services to all market segments via a network of 612 branches (including 374 own branches and 238 franchise branches), a network of personal advisors as well as electronic and mobile banking.

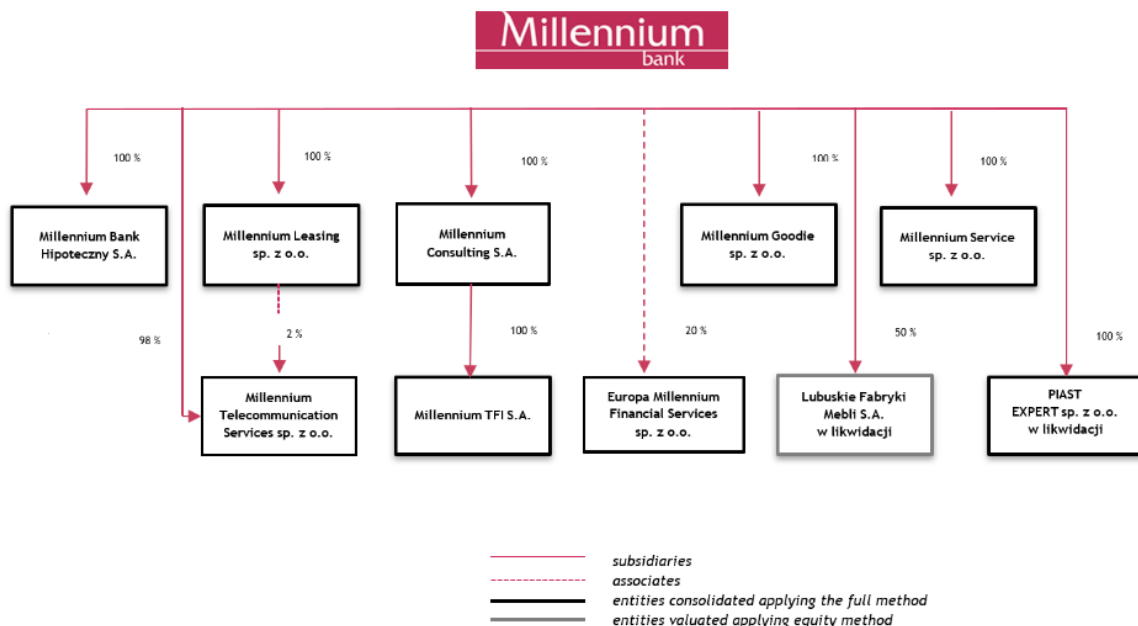
Ever since the start of its activity it has been a trendsetter in Polish banking. For example it was the first Bank to be listed on the Warsaw Stock Exchange and issued the first payment card on the Polish market. The bank satisfies most stringent standards of corporate governance; it implements social programmes to support culture development as well as education of the youth.

Bank Millennium is a market leader in the area of innovations understood to mean state-of-the-art technology and process improvements. Innovation in Bank Millennium is part of its business strategy.

Bank Millennium, together with its subsidiaries, forms Bank Millennium Group ('BM Group', 'Group') - one of the most innovative and comprehensively developing financial groups in Poland - employing in total 6,747 persons (FTE).

### Bank Millennium Group's structure (31.12.2023)

*Subsidiaries and Associates*



Its most important companies are: Millennium Leasing (leasing business), Millennium TFI (mutual funds) and Millennium Bank Hipoteczny (obtaining long-term financing through the issue of covered bonds). Since 2016, Millennium Goodie Sp. z o.o. together with the Bank has been operating a smartshopping platform based on advanced technology. The offering of the above-mentioned companies complements the services and products offered by the Bank. In March 2023, the Bank sold 80% of shares in Millennium Financial Services sp. z o.o. to Towarzystwo Ubezpieczeń na Życie Europa S.A. and Towarzystwo Ubezpieczeń Europa S.A. and became a 20% shareholder in the company. In connection with this sale, the Bank entered into several agreements with the buyers concerning insurance distribution model and long-term cooperation in the bancassurance area.

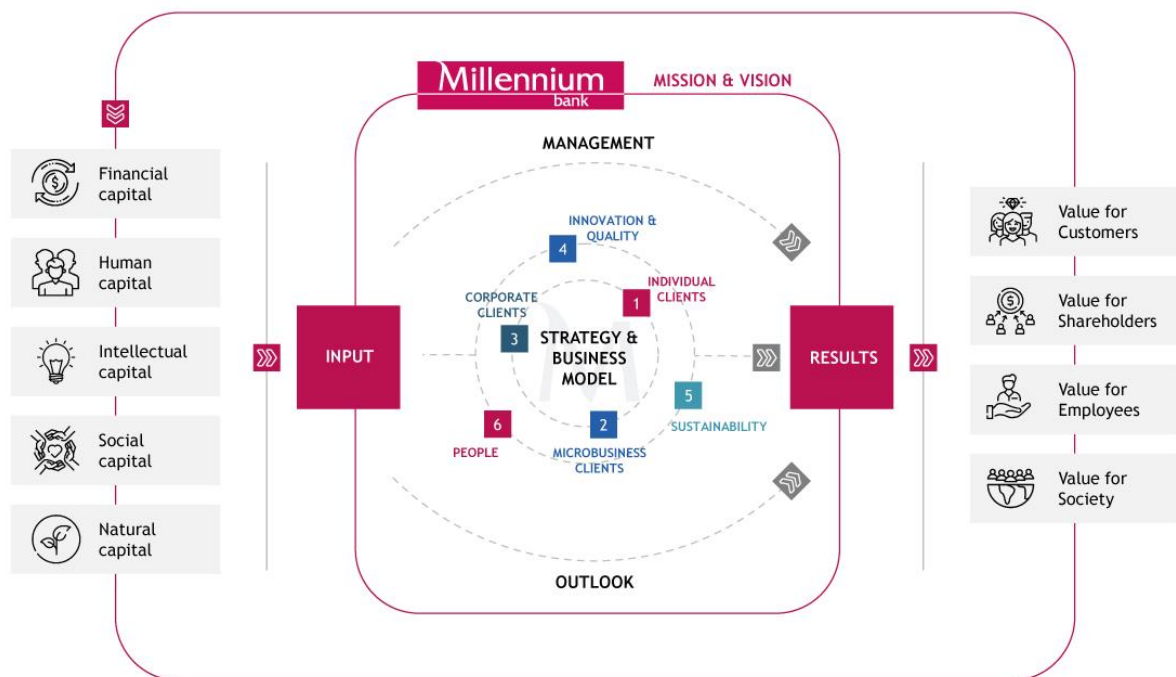


## Business model

Bank Millennium operates according to a business model centered on six pillars:

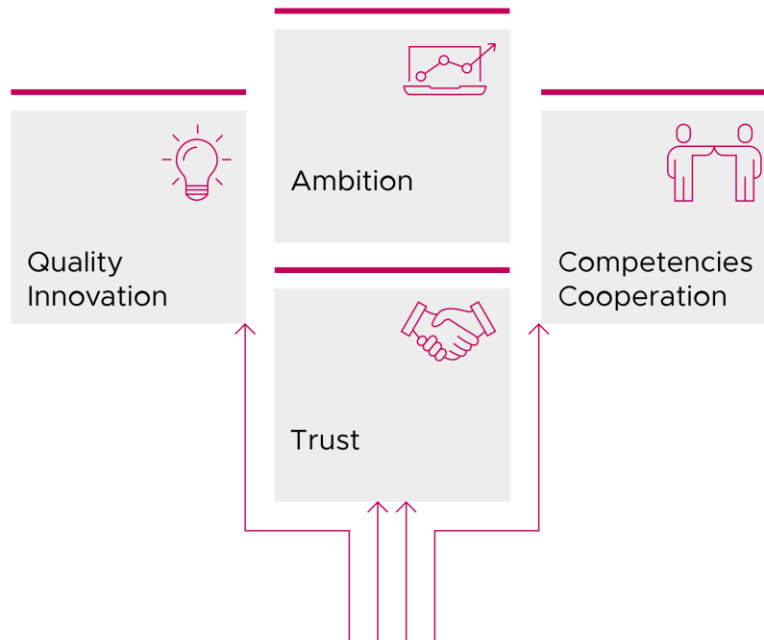
- Top quality and **extended offer for individual clients** - we are continuously strengthening the range of financial services offered to Customers, aiming also to constantly offer a best-in-class Customer Experience in all the channels, what makes us one of the fastest growing banks in loyal individual customers;
- Bank of the **1st choice for new micro-business clients** - taking advantage of the well-established retail sales and service model, we are building high innovative and efficient model for micro businesses;
- Strategic **partner supporting corporate clients development** - we are developing corporate banking segment leveraging on long-term partnerships providing to our clients personalized and digitalized services, as well as professional expertise to address challenges of the future, i.e. green transformation;
- Services supported by **innovative solutions with top tech User Experience** in digital channels (mobile-first approach) - we are among digital banking leaders, with one of the highest levels of mobile banking application penetration, setting trends in innovative financial and non-financial (Value Added Services) solutions and taking care on the best possible User Experience, hyper-personalisation and cybersecurity;
- **Sustainable organization** on the climate neutrality path -we keep our engagement for environment and society, now even scaled by dedicated strategy with defined ESG goals;
- **Great place to work** for employees and for top talents - cornerstone of the business model and competitive advantage are our people and organizational culture, what is the reason behind continue effort to make us top employer, not only in the banking sector.

## Bank Millennium's business model



The business model is founded on **key values**: building relationships based on trust, a passion for quality and innovation, people development and promoting cooperation as well as the ambition to always aim higher.

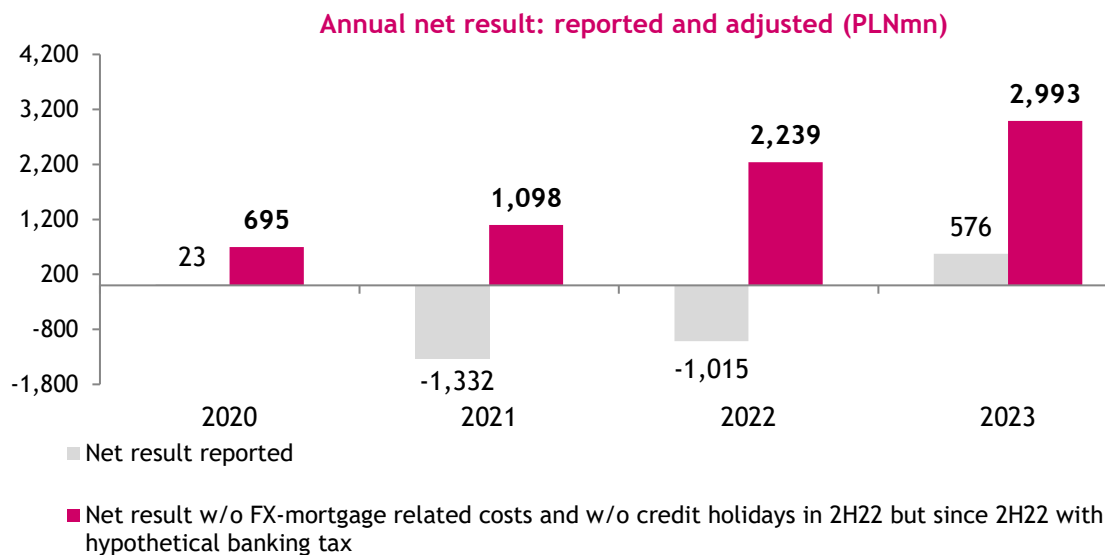
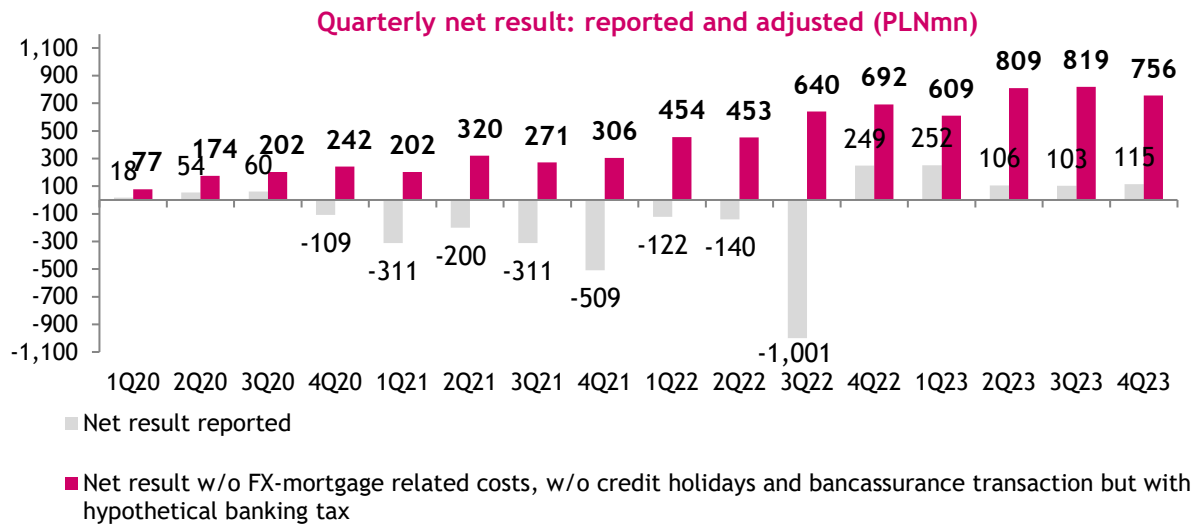
### The Bank Millennium Group's Values



## 2. SUMMARY OF CONSOLIDATED BM GROUP RESULTS IN 2023

2023 was, as expected, a breakthrough year Bank Millennium S.A. ('Bank') and Bank Millennium S.A. Capital Group's ('BM Group', 'Group'). Following a turnaround in 4Q22, each quarter of 2023 brought a positive net result. In 2023 overall, the Group posted net profit of PLN576 million which translates into ROE of 9%. This was a very positive development given that 2023 results were burdened by record high costs related to the legacy FX-mortgage portfolio ('FX-mortgage costs').

2023 net profit adjusted for these costs and other one-offs but with a hypothetical asset tax ('bank tax') was PLN2,993 million, up 34% y/y. This was well above the PLN2bn net profit before FX costs originally targeted for 2024.





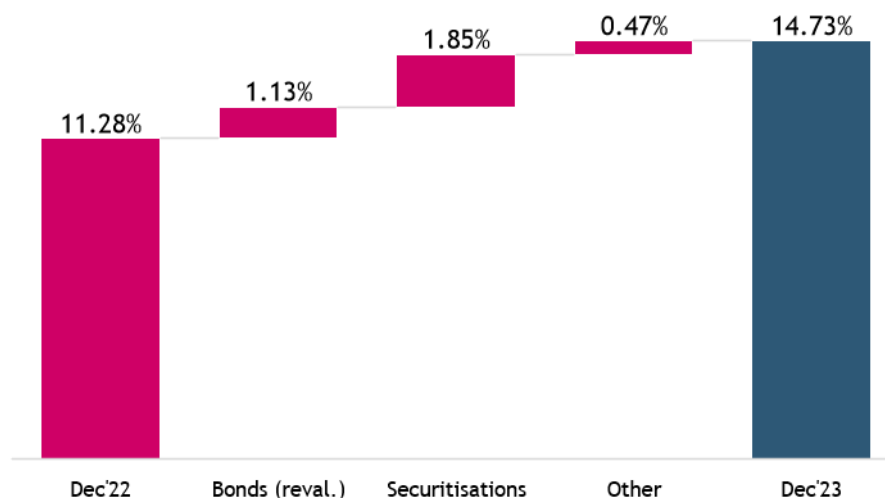
## Strong growth of core business

2023 brought a strong growth of the core business with many targets initially set for 2024 achieved well ahead of the plan (see further pages for details on progress of the implementation of 2022-2024 strategy). Of these, the number of active customers crossing the 3 million mark (300 thousand or 11% growth of customers' number since YE21) and the 90% share of digitally active customers exceeding the 90% threshold (84% at YE21) are key to highlight.

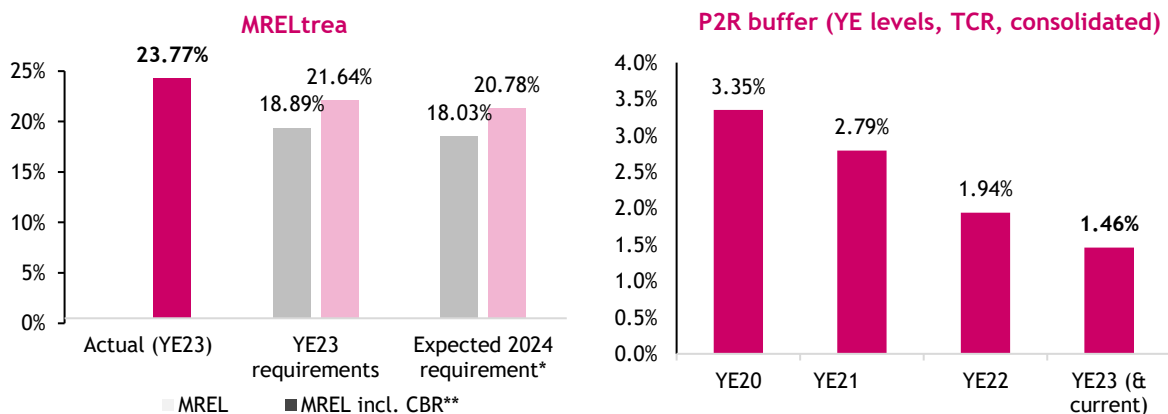
## Remarkable organic capital generation

Capital position of the Bank/Group improved markedly in 2023. YE23 Group's T1 capital ratio stood at 14.7% (Bank solo: 15.4%), 488bps above the required minimum level (Bank solo: 555bps). The 345bps or 31% improvement of the Group's- T1 ratio in 2023 through organic generation of capital was remarkable and probably unprecedented on the Polish market.

Consolidated T1 ratio evolution in 2023



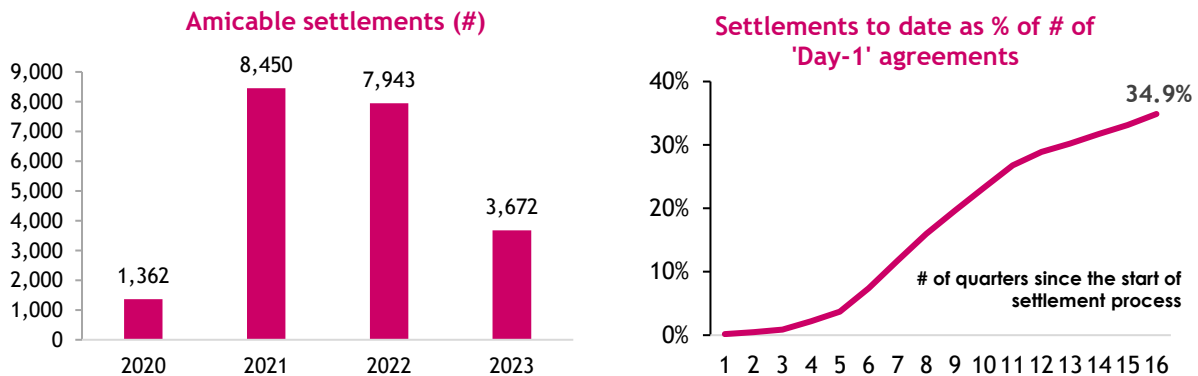
Additionally, the Bank met its YE23 MREL targets and expects that going forward its MREL requirements will decrease following the already communicated reduction in P2R capital buffer. Upon the letter obtained in December'23 from the Banking Guarantee Fund ("BGF"), taking into account the updated level of the additional capital requirement (P2R), the target updated MREL-TREA for the Bank would be 18.03% of TREA, respectively, subject to the minimum subordination requirement, while the target MREL-TEM would be 5.91%, respectively, subject to the subordination requirement. According to the letter, the BGF will propose the above-mentioned MREL levels as part of the joint decision-making process in the 2023/24 planning cycle.



(\*) reflects the recent P2R drop by 48bp to 1.46%, (\*\*) CBR stands for Combiner Buffer Requirement

### Amicable settlements with FX-mortgage borrowers continued at a good pace

2023 saw amicable settlements with FX-mortgage borrowers continuing at a good pace with 3.7 thousand such settlements signed in the full year while 4Q23 alone brought over 1,000 such agreements. The number of settlements signed to date totalled 21.4 thousand, an equivalent of 35% of the number of loan agreements active at moment of the full roll-out of amicable settlements process. Additionally, the number of in-court settlements continued to increase at a steady pace. In 2023 overall, 529 (14% of total settlements) such settlements were achieved while in 4Q23 over 185 settlement agreements were signed (17% of total).

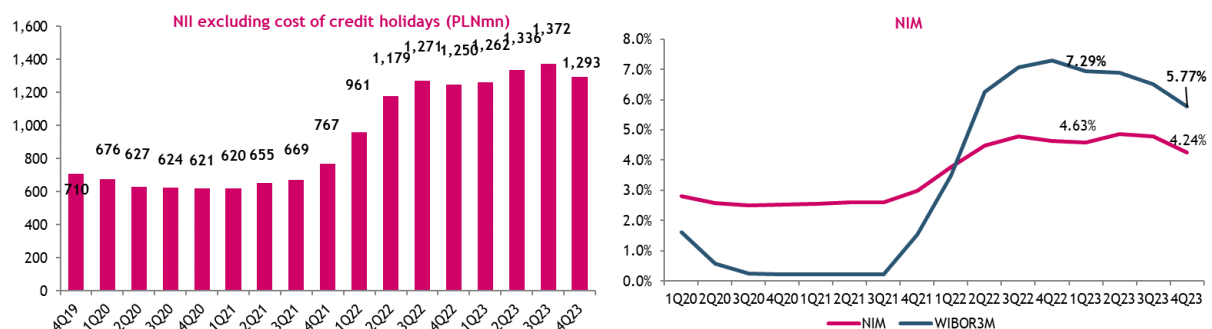


### Substantial non-recurring items in P&L

A handful of non-recurring items had impact on the 2023 results, but the key one was the significant extraordinary profit resulting from the commencement of a strategic co-operation with TU Europa Group in the field of bancassurance. Total impact of this agreement amounted to PLN 652 million pre-tax with a lion's share recognised in 1Q23 (PLN597 million pre-tax) and the balance in 4Q23 (PLN 55 million).

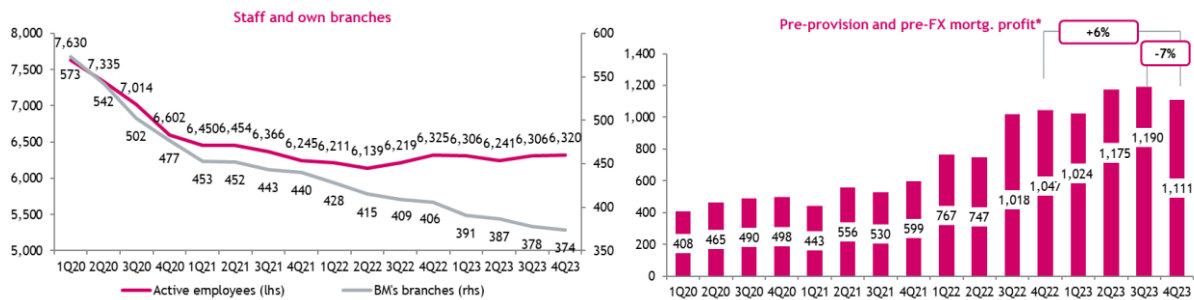
### Other key developments in 2023

- **NII adjusted for the final adjustment of the cost of credit holidays increased 13% y/y** benefitting from a combination of larger pool of interest earning assets (IEA) which grew 19% y/y and higher interest rates (average 3M WIBOR at 6.53% vs. 6.03% in 2022), though the impact of the latter started to fade in 4Q23 with 3M WIBOR falling 74bps; in contrast, costs of MREL bonds and securitisation transactions were weighing down on NII in the period;
- **NIM widened to 460bp from 443bp in 2022** benefitting chiefly from a combination of the abovementioned higher market interest rates with changes in loan mix; after reaching an all-time quarterly high of 485bp in 3Q23, the improvement started to dissipate with NIM contraction particularly visible in 4Q23;



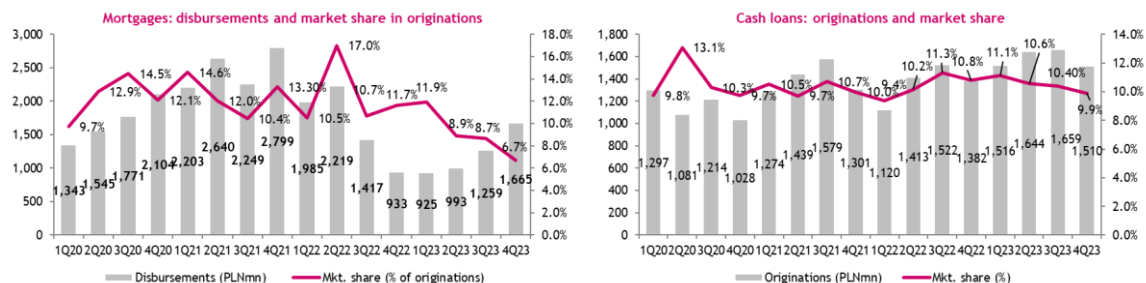
- **inflationary pressures on costs remained high** with 2023 opex w/o BFG and IPS up 13% y/y; nonetheless 2023 reported C/I ratio without credit holidays impact dropped to 30% vs. 39% in 2022 overall; legal costs related to FX-mortgage book were a higher-than-usual burden on the results more than doubling to PLN286 million; the continued digitalisation of our business (digital customers: over 2.7mn, up 7% y/y, number of active mobile customers: 2.5mn, up 10% y/y) was complemented by the ongoing optimisation of the physical distribution network (own branches

down by 32 units or 8% during the year; employment remained stable with the number of active employees down 5 since YE22);



(\*) Reported adjusted for cost of credit holidays, provisions against credit risk, Covid-19, result on FV portfolio, impairment losses on non-financial assets, modifications, legal risk on FX-mortgages and results on bancassurance transaction in 1Q23 and 4Q23.

- **loan portfolio shrunk 4% y/y** (both net and gross) with trends in FX-mortgage portfolio (down 56% y/y q on a reported basis) remaining the key decisive factor; net/gross loan book w/o FX-mortgages marginally increased (+1% y/y); FX-mortgages (reported basis) continued to shrink fast on a combination of FX movements, repayments, provisioning (in line with IFRS9 most of legal risk provisions are booked against gross value of loans under court proceedings), write-downs and amicable settlements; as a result, the share of all FX-mortgages in total gross loans decreased to 4.1% (BM originated only: 3.6%) at YE23 from 8.9% (8.1%) in the same period last year;
- **non-mortgage net retail portfolio was up 7% y/y** (origination of cash loans reached PLN6.3bn, up 16% y/y, in 2023 overall); BM's market share in origination of cash loans at 10.5% in 2023 overall, slightly above the 10.4% in 2022;
- **origination (disbursements) of PLN mortgages in 2023 totalled PLN4.8bn** and remained significantly (26%) below the level in the preceding year; however **4Q23 brought a significant improvement** (up 32% q/q to nearly PLN1.7bn, the highest level since 3Q22); BM's market share in originations stood at 8.2% in 2023 vs. 12.8% in 2022 respectively;

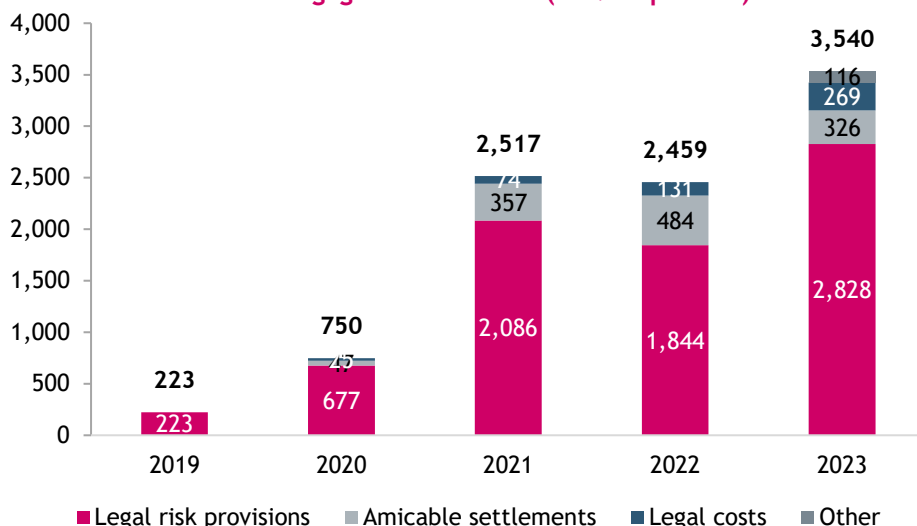


- **loan book quality was stable** with NPL ratio ticking up to 4.6% from 4.5% at the end of 2022 and broadly stable quality across all sub-portfolios; NPL coverage improved to 72% from 70% at YE22; credit risk cost of dropped further (39bp vs. 44bps in 2022) owing to the continued low cost of risk in the corporate segment and positive impact of NPL sales;
- **customer deposits were up 9% y/y** with retail deposits up 11% y/y and corporate ones up 5% y/y, in line with market trends; share of term deposits increased to 36% at YE23 from 33% at YE22; liquidity of the Bank remained very comfortable with L/D ratio easing further to below 69%;
- **AuM of Millennium TFI and third-party funds combined increased strongly**; at over PLN8.1bn they were up 26% in y/y terms.

## FX-mortgage portfolio and related costs remained a heavy burden on core business results

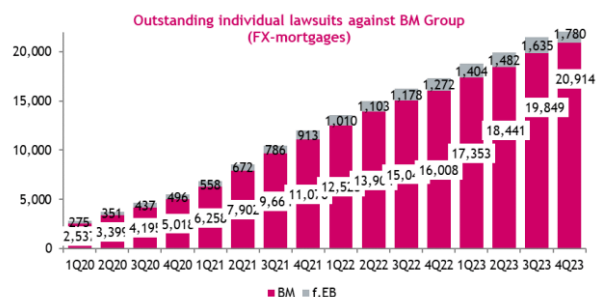
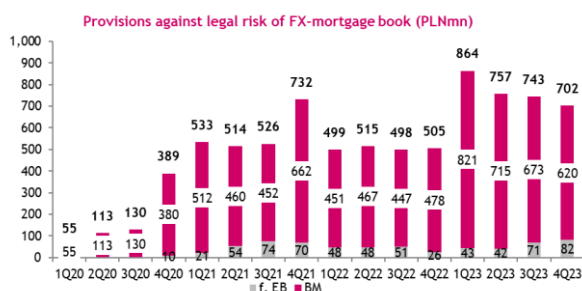
Costs related to FX-mortgage portfolio (legal risk provisions, costs of amicable settlements and legal costs) remained elevated and continued to be a material drag on the increasingly profitable core business of the Group. Totalling PLN3,540 million (PLN3,338 million after tax) in 2023 overall these were significantly above the level in the preceding year (up 44% y/y/up 41% y/y respectively).

**FX-mortgage related costs (PLNmnn pre-tax)\***

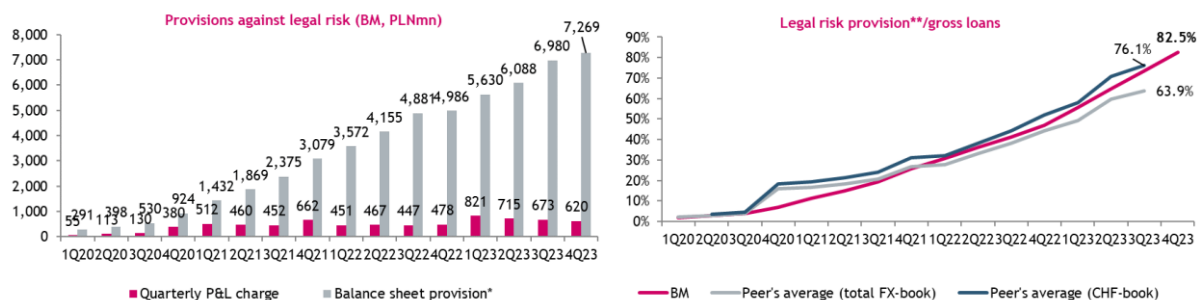


(\*) without legal risk costs related to FX-mortgages originated by former EB.

In 2023 overall, total provisions against legal risk related to FX-mortgage portfolio ('FX-mortgage provisions') amounted to PLN3,065 million pre-tax (2022: PLN2,017 million) with PLN2,828 million (2022: PLN1,844 million) attributable to FX-mortgages originated by Bank Millennium. Post-tax FX-mortgage related provisions attributable to the portfolio originated by Bank Millennium totalled PLN2,762 million in 2023 vs. PLN1,863 million in 2022. While in the 1H23 the increase of FX-mortgage provisions resulted from negative developments in the legal environment, namely the judgment of the European Court of Justice of June 15, 2023, with consequent methodological changes (e.g. elimination of a scenario of remuneration for capital provided by the Bank) and updated inputs into the Bank's provisioning methodology, in 2H23 these were chiefly driven by updated inputs, reflecting, inter alia, actual and expected inflow of court claims.



At YE23, provisions for the portfolio originated by Bank Millennium were at the level of PLN7,269 million (an equivalent of 83% of the grossed-up FX-mortgage book) and at PLN603 million for the portfolio originated by former Euro Bank. Allocated, i.e. decreasing gross balance sheet value of the respective loan books stood at PLN6,028 million and PLN489 million respectively.

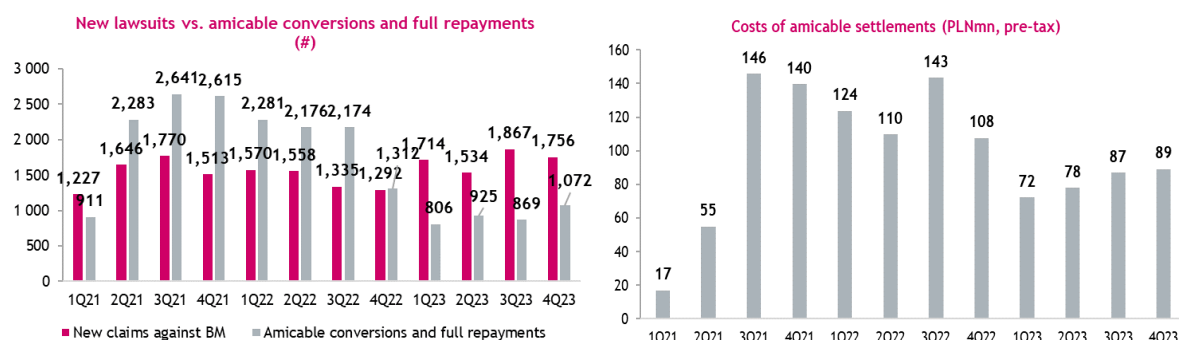


(\*) actual outstanding B/S provisions not equal to the sum of P&L charges due to utilisations and FX differences; (\*\*) including provisions for settlements

Note: legal risk provisions/gross FX mortgage book (post IFRS9 adjustments where necessary); excl. f.EB portfolio in case of BM; peer group composition has been changed hence there may be differences in comparison to previously presented data.

On December 31, 2023, the Bank had 20,914 loan agreements and additionally 1,780 loan agreements from former Euro Bank under individual ongoing litigations (excluding claims submitted by the Bank against clients i.e. debt collection cases) concerning indexation clauses of FX mortgage loans submitted to the court. A relatively small proportion of these (11.0%) was filed by borrowers who had repaid their FX-mortgages entirely or converted them into PLN mortgages at the date of submitting the court case.

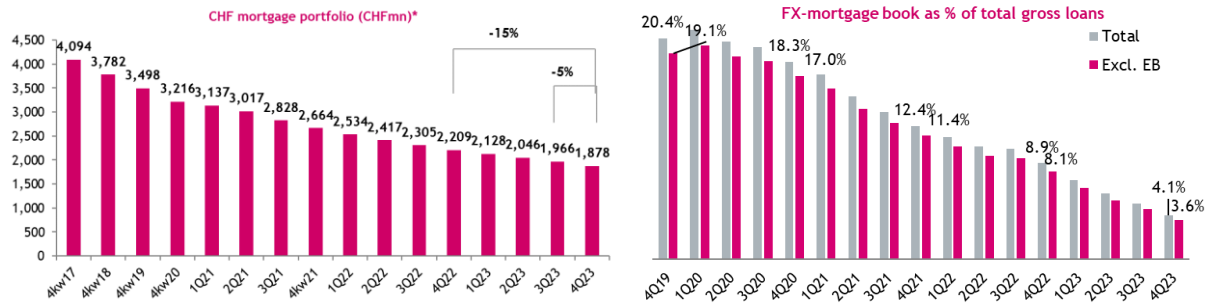
The Bank is highly focused on reduction of its FX-mortgage portfolio and the related risk and therefore continues to actively offer its customers amicable solutions (i.a. conversions to Polish zloty, pre-payments, early repayments or collectively 'amicable settlements') regarding FX-mortgages on negotiated terms. The number of amicable settlements reached 3,672 in 2023 overall (2022: 7,943). Over 21,400 amicable settlements took place since early 2020 when more intensive effort started. This represents nearly 35% of the number of active FX-mortgage agreements at the start of the effort. As a result of these negotiations, final court verdicts and other natural drivers, in 2023 the number of active FX-mortgage loans decreased by nearly 5,600 to 32,435 following the 9,600 drop in 2002 overall. Costs related to amicable settlements totalled PLN326 million pre-tax (2022: PLN484 million). The relatively higher cost of the settlements in recent quarters reflected, among others, an increasing number and share of in-court settlements. In 2023 overall 529 such settlements were achieved, compared to 281 in 2022.



Note: some items were adjusted from the previously reported values

Legal costs, booked in admin costs and other operating costs totalled PLN269 million in 2023.

As a result of these trends, the BM's FX-mortgage portfolio contracted 15% in 2023 (in CHF terms, gross, w/o impact of allocated legal risk provisions). The share of total FX-mortgage book (gross loans less allocated legal risk provisions) in total Group's gross loans dropped to 4.1% at the end of December'23, while the share of FX-mortgage loans originated by BM dropped to 3.6%.

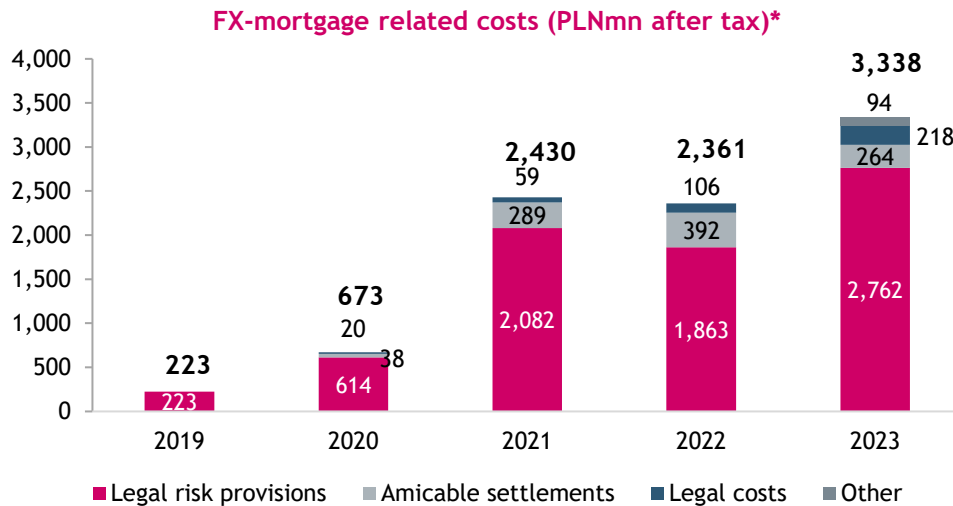


(\*) Originated by Bank Millennium

Note: the share of gross FX-mortgages not deducting allocated legal risk provisions was 12.5% at the end of June'23.

### FX-mortgage and non-recurrent items adjusted 2023 net profit nearing PLN3bn

Excluding all FX-mortgage related costs (PLN3,540 million pre-tax / PLN3,338 million after tax), adjusting for gains on the bancassurance agreement (PLN652 million pre-tax, PLN528 million after tax) and adding hypothetical bank tax (PLN400 million), the BM Group would post 2023 net profit of PLN2,993 million vs. adjusted 2022 net profit of PLN2,239 million.



(\*) without legal risk costs related to FX-mortgages originated by former EB.



### 3. INFORMATION FOR INVESTORS

#### 3.1. SHARE PRICE PERFORMANCE

2023 was a volatile year for share prices of Polish banks. After gains at the start of the year, late January 2023 saw banks' quotations being negatively affected by the opinion of CJEU spokesman on FX-mortgage loans. The sell-off was exacerbated by unexpected information about problems of banks in the United States and the collapse of Credit Suisse. At the end of March 2023, share prices of banks started to recoup some of the earlier losses. At the beginning of April 2023, shares of Polish banks rebounded on a combination of easing concerns over the shape of the European banking sector, strong results of Polish banks and resulting undemanding valuations. In October, the unexpected turnout of parliamentary elections in Poland, sent share prices Polish banks flying, making banks the best performing sector on the Warsaw exchange in 2023.

During the 12 months ending 31 December 2023, WIG broad market index grew 36%, WIG20 index of largest companies 30%, while WIG Banks outperformed the market, gaining 77%. In the same period, share price of Bank Millennium grew 82%.

Annual change of Bank Millennium share price vs. WIG Banks index



In 2023, daily turnover of Bank Millennium shares averaged at PLN7.2 million and was similar to this in the preceding year.

Market ratios	29.12.2023*	30.12.2022*	Change y/y
Number of Bank's shares ('000)	1 213 117	1 213 117	0.00%
Average daily turnover in annual terms (in PLN'000)	7 273	7 234	0.5%
Bank's share price (PLN)*	8.35	4.58	82.4%
Market capitalisation of the Bank (PLNmn)	10 136	5 556	82.4%
WIG Banki	11 062	6 252	76.9%
WIG20	2 343	1 802	30.0%
WIG30	2 908	2 197	32.4%
WIG - main index	78 460	57 638	36.1%

(\*) last day of listing in 2023 and 2022

Bank Millennium's shares are included in following indexes on the Warsaw Stock Exchange: WIG, WIG Banks, WIG 30, mWIG 40, WIG Poland and WIG-ESG.



### 3.2. BANK MILLENNIUM'S RATINGS

On March 24, 2023 Moody's rating agency ('Moody's') confirmed Bank's long- and short-term deposit ratings at Baa3/P-3 and its (P)Ba2 junior senior unsecured MTN program ratings and changed the outlook on the long-term deposit ratings from ratings under review for downgrade to negative. The Bank's BCA was downgraded to ba3 from ba2 and Adjusted BCA was confirmed at ba2.

This rating actions concluded the review opened on 20 July 2022 and extended on 20 December 2022 (details in CR 9/2023 [Current reports - Investor relations - Bank Millennium](#)).

On July 13, 2023 Fitch rating agency affirmed the Bank's Long-Term Issuer Default Rating (IDR) and Local Currency Long-Term IDR (LC LT IDR) at 'BB' and additionally revised to 'Positive' from 'Stable' outlooks for these ratings. Additionally, Fitch affirmed at 'bb' the Viability Rating (VR) for the Bank and upgraded the Bank's Shareholder Support Rating (SSR) to 'b+' from 'b'. According to Fitch, the revision of outlooks reflected medium-term improvement of the Bank's risk profile through further gradual reduction of the risks related to its foreign-currency mortgage loan portfolio. It also considers expectations that improved Bank's core profitability will allow to absorb on-going legal costs and potential government intervention leading to further recovery of the Bank's capitalisation (details in CR 22/2023 [Current reports - Investor relations - Bank Millennium](#)).

At the date of publishing this Report, the Bank's corporate/bond ratings, were as follows:

Rating	MOODY'S
Long-term deposit	Baa3
Short-term deposit	Prime-3
Baseline Credit Assessment (BCA)/Adj. BCA	ba3/ba2
LT Counterparty Risk Assessment (CRA)/ST CRA	Baa2(cr)/Prime-2(cr)
Rating outlook	Negative
SNP MREL bonds	Ba2

Rating	FITCH
Long-term deposit Issuer Default (IDR)	BB
National Long-term	BBB+ (pol)
Short-term Issuer Default Rating (IDR)	B
Viability (VR)	bb
Shareholder Support Rating (SSR)	b
Rating Outlook	Positive
SNP MREL bonds	BB

### 3.3. INVESTOR RELATIONS

Communicating with the investors' community the Bank assures a high level of transparency and proper access to information for all its recipients. Accurate and up-to-date information is provided in keeping with relevant legal regulations. The list of information published by the Bank, defining the frequency and place of publication, is available on the Bank's website in the Investor Relations section - in section of Information Policy [Information policy of Bank Millennium - Bank Millennium](#)

The investor relations website [Investor relations - About the Bank - Bank Millennium](#) always provides up-to-date information, including Bank Millennium share prices on the WSE, shareholding structure, details of General Meetings, dividend payment history or credit ratings. There are also current and periodic reports, financial results presentations, Excel sheets with key financial information and other important information about the Bank. It is worth noting that the website is responsive, which means that it is adapted to mobile devices - tablets and smartphones.

The Bank makes use of diverse communication channels to reach current and potential Shareholders, primarily such channels as:

- Periodic conferences with the Management Board about quarterly results of the Bank's Capital Group (four during 2023),
- Participation in conferences organised for Investors in Poland and abroad (6),
- One-on-one and group meetings with capital market participants (307 participants),
- Current reports (41) and press releases,
- Dedicated website in the Bank's portal on investor relations,
- Encouraging participation in annual General Meetings of the Bank,
- Day-to-day contacts with market participants (via e-mail, phone or internet communicators).

In keeping with best practice on equal access to information from 2006 the Bank has been assuring unrestricted access to results conferences online with the Management Board (video streaming in Polish and in English) and by phone. A recording of each conference is available on the Bank's website. The Bank also provides video streaming of General Meetings. A recording of the deliberations and the resolutions adopted are also available on the website.

Bank Millennium is covered by 12 analysts representing local and international brokerage houses who publish their reports and recommendations for Bank Millennium shares. The full list can be found on the Bank's website [Analysts - Investor relations - Bank Millennium](#)

As at 31 December 2023, the structure of recommendations (not older than 6 months) was as follows:

Buy	Hold	Sell
4	2	1

### 3.4. DIVIDEND POLICY

Bank Millennium's dividend policy assumes distribution of between 35% to 50% of its net profit, provided that recommendations of the PFSA regarding the payment of dividends are met.

The Bank recorded a net loss in 2022, hence there was no basis for the payment of dividends. The Management Board of the Bank submitted a proposal and the Ordinary General Meeting of the Bank, held on March 30, 2023, decided to allocate the amount of PLN1,030 million from the reserve capital to cover the loss incurred in 2022.

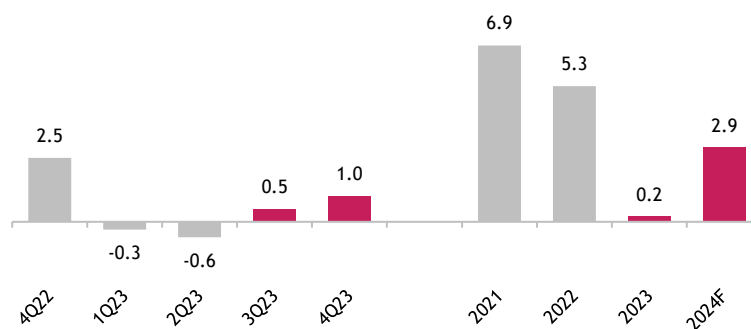
Bank Millennium Bank posted a net profit in 2023. According to assumption of the Capital Protection Plan and the Recovery Plan and following a recommendation of the Polish Financial Supervision Authority (KNF) from February 22, 2024 not to pay a dividend from 2023 profits, the Management Board of the Bank intends, following the necessary corporate approvals, to recommend shareholders at 2024 AGM a retention in own funds of the Bank 100% of the net profit made in 2023.

## 4. MARKET CONDITIONS AND MACRO RISK FACTORS

### 4.1. MACROECONOMIC ENVIRONMENT

In the first half of 2023, activity in the Polish economy slowed down significantly as a result of high inflation, restrictive financial conditions, a decline in global demand and the fading of the demand impulse after the outbreak of the war in Ukraine. However, in the second half of 2023, the economy entered the path of recovery and in the whole 2023 the GDP growth was positive and, according to preliminary estimates, amounted to 0.2%. Compared to other European Union countries, Poland was characterised by a relatively smaller scale of economic downturn, thanks to expansionary fiscal policy, good situation on the labour market and growing investments. The registered unemployment rate remained close to its historical lows and stood at 5.1% at the end of 2023. The good situation on the labour market, along with falling inflation and a good income situation, was one of the main factors responsible for the improvement of consumer sentiment and, as a result, the recovery of individual consumption. The recovering private consumption mitigated the negative impact of lowered economic activity in Poland's main trading partners, especially in Germany, which was in recession in 2023.

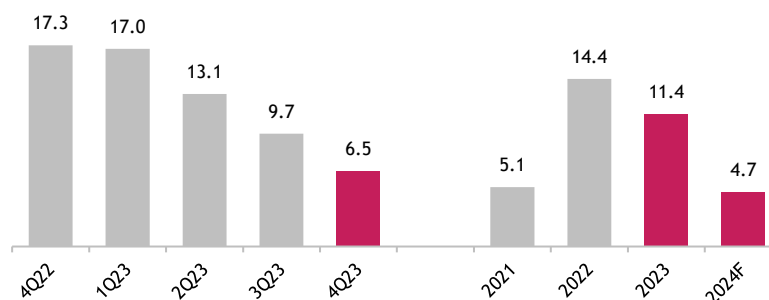
#### GDP and its forecasts (% y/y)



Source: Macrobond, Bank Millennium, F - forecast

Year 2023 was a period of disinflation. After rising to 18.4% y/y in February 2023, CPI inflation started to decline due to the faster disappearance of negative supply shocks, as well as the government's regulatory measures. 2023 closed with CPI inflation at 6.2% y/y, i.e. 12.2 percentage points below the peak in February. On the other hand, inflation in the prices of services was more persistent, which was related to rapidly rising labour costs. As a result, core inflation declined at a markedly slower pace than the overall CPI. In December 2023, it amounted to 6.9% y/y compared to 11.5% y/y at the end of 2022. In the Bank's opinion, inflation will continue to decline in the coming months, although its return to the NBP inflation target remains a distant prospect.

#### CPI and its forecasts (% y/y (% y/y, period average))



Source: Macrobond, Bank Millennium, F - forecast

For most of 2023, the National Bank of Poland maintained key interest rates at the highest level since 2002. However, in September last year, the Monetary Policy Council made a sudden turn in monetary policy and cut interest rates by 75 basis points and in October by another 25 basis points. As a result, the reference interest rate of the National Bank of Poland stood at 5.75%. After parliamentary elections in October, in which the opposition took power, the Monetary Policy Council tightened its bias and communicated its willingness to stabilise the parameters of monetary policy.

In 2023 deposits in the banking sector were growing at a solid pace and in December their nominal value was by PLN 172.5 billion higher, i.e. 9.9%, compared to December 2022. Nevertheless, the ratio of deposits to the GDP decreased from 57.1% in 2022 to estimated 56.6% in 2023. Deposits in the household sector grew the most and its annual dynamics accelerated to 11.2% y/y from 3.2% y/y in December 2022. The nominal volume of households' deposits increased by as much as PLN 124 billion during 2023, compared to an increase of PLN 34 billion a year earlier. Conducive to households' deposits were high nominal interest rates and solid wage growth. In 4Q 2023 the growth of households' deposits slowed down slightly, which can be associated with reviving consumption. Growth of deposits in corporate sector slowed down to 7.5% y/y in 2023 from 9.6% in 2022. In the environment of high interest rates and low economic growth, credit creation in the economy was low, especially in the first half of 2023. In second half of the year lending activity recovered markedly, especially in the households' segment. In 4Q 2023, the value of newly granted loans to households amounted to PLN 57.8 billion, reaching the highest value in the history of available data. This was mainly the result of a strong rebound in mortgage loans and huge interest in the government's "Safe Loan 2%" programme. A revival, albeit on a smaller scale, was observed in the consumer credit segment. Demand for credit from companies was subdued during whole 2023.

In the Bank's opinion, economic activity in Poland will recover and in 2024 the economic growth will accelerate to 2.9% y/y. In our opinion, the main driver of the economy will be consumer demand, which will be supported by low unemployment, still strongly growing wages, the dynamics of which will be underpinned by a strong increase in the minimum wage, as well as the government's declared increases in the salaries of teachers and employees in the public sector. Additional support for households' incomes will be provided by the payment of social transfers from the budget. On the other hand, the dynamics of investments in fixed assets is expected to slow down, among others due to the end of the old perspective of the European Union budget and the slow utilization of funds from the new EU budget. In the Bank's view, the risks to the GDP growth forecast presented above are skewed to upside, mainly due to a possible faster rebound in consumer demand. In the Bank's opinion, there is only a limited space for monetary policy easing in 2024. Especially that the Monetary Policy Council communicates its willingness to stabilise interest rates in the coming months. Expansionary fiscal policy, low unemployment, and relatively high wage growth will delay the return of inflation to the central bank's target, and thus limit the space for interest rate cuts. The expected easing of monetary policy by the Fed and the European Central Bank may create room for a slight reduction of interest rates in Poland without negative pressure on the zloty. Given the uncertainty surrounding the inflation outlook, these reductions should be carried out with caution.

## 4.2. FACTORS OF UNCERTAINTY FOR THE ECONOMY AND BANK MILLENNIUM GROUP

The summary list below presents the most important negative risk factors for Bank Millennium Group related to the macroeconomic situation in 2024-2025.

- The geopolitical situation in the world, including, among others, the possibility of an escalation of hostilities between Russia and Ukraine and the escalation of tensions in the Middle East and Asia. This would potentially result in increased uncertainty and risk aversion, as well as increased disruptions in supply chains. As a consequence, commodity prices on international markets would rise, and the zloty would weaken, which would translate into an increase in inflation in Poland, weaker GDP growth and an increase in unemployment.
- Worse than assumed economic situation in Poland's trading partners, in particular a deeper and longer recession in Germany than currently assumed. This would have a negative impact on the financial results of Polish enterprises, which could potentially result in a decrease in

demand for labour and an increase in unemployment. As a result, the demand for the Group's products would decrease, and at the same time the credit risk would increase.

- A change in the reaction function of central banks in developed economies, as well as the Polish Monetary Policy Council, towards a more restrictive stance. As a result, central banks would cut interest rates to a much smaller extent than currently expected or tighten monetary conditions. This would result in a slowdown in economic growth, an increase in unemployment, a reduction in demand for credit, as well as hinder the execution of the state budget and increase the costs of financing the borrowing needs.
- An increase in political and institutional risk in Poland, which could result in disruptions in the implementation of the government's economic policy, including delay in absorption of funds from the European Union. This could result in an increase in the risk premium, a weakening of the Polish zloty, a sell-off of Treasury securities and an increase in volatility on the financial markets.

There is also a possibility of better economic results in Poland than in the Bank's baseline scenario, which could result, among others from a faster than expected cessation of military operations in Ukraine, a stronger inflow of foreign workers to Poland and a faster absorption of funds from the European Union. The improvement of the economic situation would be supported by an earlier than expected and stronger economic recovery abroad.

## 5. OTHER IMPORTANT CONSIDERATIONS

### 5.1. RECOVERY PLAN AND CAPITAL PROTECTION PLAN

In 2023 the Bank continued to implement Recovery Plan and Capital Protection Plan (the ‘CPP’). As per earlier reports, the Recovery Plan was launched by the Management Board of the Bank on July 15, 2022 due to the emergence of a risk of a drop of capital ratios below minimum required levels, a prerequisite stipulated in the art. 142 sec. 1 and 2 of the Banking Act of 29 August 1997 (Journal of Laws 2021, item 2439, i.e. 28 December 2021, as amended). This risk of a breach of capital ratios, in turn, was triggered by the Bank’s estimate of negative impact of credit holidays on 3Q22 results. Separately, the CPP was prepared and submitted to Polish Financial Supervision Authority (‘PFSA’), pursuant to the Article 60 sec. 1 of the Act of 5 August 2015 on macroprudential supervision of the financial system and crisis management in the financial system (Journal of Laws of 2022, item 963, i.e. of 6 May 2022, as amended). PFSA approved this plan on 28th October 2022.

Both the Recovery Plan and the CPP, foresee the increase of capital ratios comfortably above the minimum required levels through a combination of further improvement of operational profitability and capital optimisation initiatives such as management of risk weighted assets (including securitisations). Launching of both plans, triggered various actions aimed at the increase of capital ratios and operational profitability.

Since the launch of both plans, the Bank/Group has managed to significantly improve its capital ratios, placing them clearly above the new regulatory requirements. As at December 31, 2023, the Tier 1 ratio was 555 bps (Bank) and 488 bps (Group) above the minimum requirement, and the total capital ratio (TCR) was 682 bps (Bank) and 585 bps (Group) above the minimum requirement.

As part of the capital improvement initiatives, in 2023, the Group completed two synthetic securitization transactions: the first was completed in July and concerned a portfolio of leasing receivables, while the second one was completed in December and concerned a cash loan portfolio. As part of these transactions, the Bank transferred a significant part of the credit risk of the securitised portfolios to investors.

More details are available in the risk section of this report.

### 5.2. MREL REQUIREMENTS

In June 2023, the Bank received a joint decision from the resolution authorities, obliging it to comply with MREL requirements. The decision set updated minimum requirements to be met by December 31, 2023 - at the levels of 18.89% (consolidated MRELTrea) and 5.91% (consolidated MRELtem). Additionally, in relation to the above decisions, the Bank should also meet the MREL requirement considering the Combined Buffer Requirement (currently 2.75%).

Taking into account the above, in September 2023, the Bank successfully completed the subscription of senior non-preferred bonds with a total value of EUR 500 million under the Euro Medium Term Notes Issuance Program with a total nominal value of no more than EUR 3 billion (Current Reports No. 27/2023 and 30/2023).

Combined with the above mentioned improvement of capital ratios, the Bank/Group comfortably met MRELTrea and MRELtem minimum requirements set for December 31, 2023, and also met the MRELTrea requirement after the inclusion of the Combined Buffer Requirement.

Upon the letter obtained in December’23 from the Banking Guarantee Fund (‘BGF’), taking into account the updated level of the additional capital requirement (P2R), the target updated MREL-TREA for the Bank would be 18.03% of TREA, respectively, subject to the minimum subordination requirement, while the target MREL-TEM would be 5.91%, respectively, subject to the subordination requirement. According to the letter, the BGF will propose the above-mentioned MREL levels as part of the joint decision-making process in the 2023/24 planning cycle.

Assuming no extraordinary factors, the Group plans to maintain both MREL ratios above the minimum required levels with a safe surplus.

More details are available in the risk section of this report.



### 5.3. FX-MORTGAGE LEGAL RISK

On December 31, 2023, the Bank had 20,914 loan agreements and additionally 1,780 loan agreements from former Euro Bank under individual ongoing litigations (excluding claims submitted by the Bank against clients i.e. debt collection cases) concerning indexation clauses of FX mortgage loans submitted to the courts (64% loans agreements before the courts of first instance and 36% loans agreements before the courts of second instance) with the total value of claims filed by the plaintiffs amounting to PLN 4,130.6 million and CHF 281.5 million (Bank Millennium portfolio: PLN 3,780.2 million and CHF 272.6 million and former Euro Bank portfolio: PLN 350.4 million and CHF 8.8 million). Out of 20,914 BM loan agreements in ongoing individual cases 240 are also part of class action. From the total number of individual litigations against the Bank approximately 2,260 or 11% were submitted by borrowers that had already naturally or early fully repaid the loan or were converted to polish zloty at the moment of submission and had not a settlement agreement and approximately another 730 cases correspond to loans that were fully repaid since then (as court proceedings are lengthy).

The claims formulated by the clients in individual proceedings primarily concern the declaration of invalidity of the contract and payment for reimbursement of paid principal and interest instalments as undue performance, due to the abusive nature of indexation clauses, or maintenance of the agreement in PLN with interest rate indexed to CHF Libor.

In addition, the Bank is a party to the group proceedings (class action) subject matter of which is to determine the Bank's liability towards the group members based on unjust enrichment (undue benefit) ground in connection with the foreign currency mortgage loans concluded. It is not a payment dispute. The judgment in these proceedings will not directly grant any amounts to the group members. The number of credit agreements covered by these proceedings is 3,273. Out of 3,273 loan agreements in class action 240 are also part of ongoing individual cases, 858 concluded settlements and 7 received final verdicts (invalidation of loan agreement). On 24 May 2022 the court issued a judgment on the merits, dismissing the claim in full. On 13 December 2022 the claimant filed an appeal against the judgment of 24 May 2022. On 20 November 2023 the claimant requested granting interim measures to secure the claims against the Bank. In a decision of 27 December 2023, the request for granting interim measures was dismissed.

The pushy advertising campaign observed in the public domain affects the number of court disputes. Until the end of 2019, 1,985 individual claims were filed against the Bank (in addition, 236 against former Euro Bank), in 2020 the number increased by 3,005 (265), in 2021 the number increased by 6,159 (423), in 2022 the number increased by 5,755 (408), while in 2023 the number increased by 6,871 (647).

Based on ZBP (the Polish Banking Association) data gathered from all banks having FX mortgage loans, vast majority of disputes were finally resolved against the banks. As far as the Bank Millennium (incl. former Euro Bank portfolio) is concerned, from 2015 until the end of 2023, 3,341 cases were finally resolved (3,263 in claims submitted by clients against the Bank and 78 in claims submitted by the Bank against clients i.e. debt collection cases) out of which 925 were settlements, 56 were remissions, 64 rulings were favourable for the Bank and 2,296 were unfavourable including both invalidation of loan agreements as well as conversions into PLN+LIBOR. The Bank files appeals against negative judgements of the courts of 1<sup>st</sup> instance declaring invalidation of loan agreements. Simultaneously the Bank undertakes proper legal actions in order to secure repayment of initially disbursed capital of the loan.

The outstanding gross balance of the loan agreements under individual court cases and class action against the Bank (incl. former Euro Bank portfolio) on 31 December 2023 was PLN 6,264 million (of which the outstanding amount of the loan agreements under the class action proceeding was PLN 763 million).



If all Bank Millennium's originated loan agreements currently under individual and class action court proceedings would be declared invalid without any compensation for the use of capital, the pre-tax cost could reach PLN 6,955 million excluding potential amounts connected with interest. Overall losses would be higher or lower depending on the final court jurisprudence in this regard.

In the 12 months of 2023, the Bank created PLN 2,828.1 million of provisions for Bank Millennium originated portfolio and PLN 237.3 million for former Euro Bank originated portfolio. The balance sheet value of provisions for the Bank Millennium portfolio at the end of December 2023 was at the level of PLN 7,268.8 million, and PLN 603.0 million for former Euro Bank originated portfolio.

The methodology developed by the Bank of calculating provisions for legal risk involved with indexed loans is based on the following main parameters:

- (i) the number of ongoing cases (including class action agreements) and potential future lawsuits that will arise within the specified (three-year) time horizon. As regards the number of future court cases,, the Bank monitors customer behaviours, follows market trends and expert comments, which resulted in the adjustment of previous assumptions. As a result, in the methodology of calculating provisions for legal risk in the case of active loans (loans with an outstanding balance as at the date of filing the lawsuit), the Bank increased the estimated percentage of customers covered by methodology in this group of clients to 83% of the total number of currently active loans compared to 77% at the end of IIIQ2023. Regarding loans already fully repaid or converted to polish zloty, the Bank attributes a much lower probability of becoming the subject of a court case based on statistical analysis. In particular: a) the Bank assesses the risk connected with the settlements reached with the clients in the past as negligible b) from the group of loans that have been repaid (naturally or early, or converted into polish zloty loan) and were not subject of a settlement agreement, the Bank assumes that circa 16% sued or will decide to sue the Bank in the future;
- (ii) the currently estimated amount of the Bank's potential loss in the event of a specific court judgment;
- (iii) the probability of obtaining a specific court judgment calculated on the basis of statistics of judgments in cases where Bank is a party and legal opinions obtained;
- (iv) the Bank does not include in the methodology of calculating an element related to to the potential claim for remuneration for the client in connection with the repayments made by him or her;
- (v) estimates involved with amicable settlements with clients, concluded in court or out of court:
  - a. the Bank assumes 12% probability of success of reaching a settlement within negotiations made with clients during court proceedings;
  - b. negotiations in court or out of court are conducted on a case-by-case basis and can be stopped at any time by the Bank;
  - c. due to significant negotiation efforts already made in the past, the probability of success in these negotiations in the future is decreasing, and at the same time most customers have already been contacted by or contacted the Bank regarding the possible conversion of loans into PLN, so at the moment the Bank adopts a conservative approach when taking into account the potential impact of this factor.

The Bank is open to negotiate case by case favourable conditions for early repayment or conversion of loans to PLN. As a result of these negotiations, the number of active FX mortgage loans originated by Bank Millennium decreased by 21,428: 1,363 in 2020; 8,450 in 2021; 7,943 in 2022 and 3,672 in 2023. As of the end of 2023, the Bank had 32,425 active FX mortgage loans. Cost incurred in conjunctions with these negotiations totalled PLN 1,340.1 million: PLN 44.5 million in 2020; PLN 364.6 million in 2021; PLN 515.2 million in 2022 and PLN 415.8 million in 2023 is presented mainly in 'Result on exchange differences' and also in 'Result on modification' in the profit and loss statement (the

values of costs charged to particular items of the Income Statement due to settlements are presented in Note 10 in Chapter 4 of the Notes to the Financial Statements).

Legal risk from former Euro Bank portfolio is fully covered by Indemnity Agreement with Société Générale S.A.

The Bank analyzed the sensitivity of the methodology for calculating provisions, for which a change in the parameters would affect the value of the estimated loss to the legal risk of litigation:

Parameter	Scenario	Impact on the loss
Change in the assumed number of court cases	In addition to above assumed numbers, 1,000 new customers file a lawsuit against the Bank	PLN 167 mln
Change of estimated losses for each variant of judgment	Change of losses for each judgment variant by 1 p.p.	PLN 75 mln
Change in probability of success in negotiations with court client	Change of probability by 1 p.p.	PLN 18 mln

On December 8, 2020, Mr. Jacek Jastrzębski, the Chairman of the Polish Financial Supervision Authority ('PFSA') proposed a 'sector' solution to address the sector risks related to FX mortgages. The solution would consist in offering banks' clients a voluntary possibility of concluding arrangements based on which a client would settle a CHF Mortgage Loan as if it was a PLN loan bearing interest at an appropriate WIBOR rate increased by the margin historically employed for such loans. The decision to generally implement this solution could imply the need of creating upfront provisions for the losses resulting from the conversion of CHF Mortgage Loans. The Bank in practice has been using elements of the proposal of above system solution on many individual negotiations with FX mortgage borrowers, including in the course of court proceedings.

Due to the circumstances stemming from the CJEU which excludes demanding by the Bank amounts exceeding the return of disbursed capital, the possibility of successful implementation of a general offer of KNF solution is low.

Finally it should also be mentioned, that the Bank, as at 31 December 2023, had to maintain additional own funds for the coverage of additional capital requirements related to FX mortgage portfolio risks (Pillar II FX buffer) in the amount of 1.47 p.p. (1.46 p.p. at the Group level), part of which is allocated to operational/legal risk.

Taking into consideration the recent negative evolution in the court verdicts regarding FX mortgage loans, the Bank will have to regularly review and may need to continue to increase the balance of provisions allocated to court litigations.

It can reasonably be assumed that the legal issues relating to foreign currency mortgage loans will be further examined by the national courts within the framework of disputes considered which would possibly result in the emergence of further interpretations, which are relevant for the assessment of the risks associated with subject matter proceedings. This circumstance indicates the need for constant analysis of these matters.

More details are available in Annual Consolidated Financial Report of the Bank Millennium S.A. Capital Group for the 12-month period ending 31st December 2023.

## 6. POLISH BANKING SECTOR AND BM/BM GROUP'S POSITION

### Polish banking sector

After the pandemic year 2021 and year 2022 laden with war in Ukraine, 2023 turned out to be a first in many a relatively calm, i.e. without new major external factors, one for the Polish banking sector. Having said that, it needs to be added that the macro economic backdrop was not supportive. Economic growth was low (+0.2% y/y in the whole 2023, according to early estimates, with GDP contraction in 1Q23 and 2Q23) while inflation and interest rates high. This translated into a relatively low economic activity and in turn, among others, low demand for borrowing. Additionally, costs related to FX-mortgage loan portfolios reached a new record high level reflecting, among others, high inflow of new court claims against banks and ECJ rulings. Nonetheless, the high level of interest rates for most of 2023 was highly supportive for the results of Polish banks and as a result, combined net profit of commercial banks in 2023 reached a record level of PLN25.6bn (+156% y/y).

Underlying operating trends which had been improving for most in 2022, started to gradually reverse in 2023. Growth of interest income, which in 2022 reached a record level of 78% y/y (2022 overall: +55%), decelerated significantly and in the whole 2023 reached 32%. Improving NIM (3.84% vs. 3.2% in 2022) combined with the 10% balance sheet growth and higher interest earning assets were the main source of growth of interest income as the loan book increased by a mere 2% y/y. Net fees grew 1% y/y following the 7% growth in 2022, while their share in total income decreased to 19% from 22% in 2022 and 27% in 2021.

At the same time cost growth accelerated significantly (an outcome of high inflation and wage pressure) although it was partly offset by the high base effect (IPS costs born in 2023) and significantly lower BGF charges. In 2023 overall, operating income grew 16% y/y, while reported opex was flat. The actual growth rate of interest income was lower (the effect of credit holidays cost in 2022 distorted the picture), while the underlying growth of opex was above the nominal one. It was more visible in the 'clean' 4Q23, when revenues grew 12% y/y while opex was up 20% y/y. Low C/I ratio (circa 40% in Jan-Sept'23) was the reason that despite negative operating jaws banks continue to generate substantial operating surplus (PLN37.5bn in 2023 compared to PLN17.2 in 2022).

Sector digitalisation, accelerated by the pandemic, continued in 2023 and, among others, manifested itself through continued branch closures and staff reduction. At the end of 2023, the number of banking branches was 3% lower than at YE22 (4% reduction in 2022), while the number of branch staff was down 4% (down 4% in 2022). Number of employees at headquarters increased by 5% in the period.

Risk charges were down 20% y/y in nominal terms and in 2023 overall they were equivalent to 16% of operating profit compared to over 18.5% the year before. At the end of December 2023 the share of stage 3 loans decreased marginally to 5.4% from 5.5% at YE22, while the coverage ratio of this portfolio marginally increased (62% from 61% respectively).

Sector's ROE for the 12-months to December 2023 stood at nearly 13% vs. less than 7% in 2022. According to PFSA's data, in 2023, commercial banks which posted combined net loss of PLN6.4 billion represented 1.3% of total sector's assets (2022: 16%).

Banking balance sheets grew more than in 2022 (+10% vs. +7%) and inflow of deposits remained the key driver. The latter grew 14% y/y (deposits of non-financial sector) while the gap between the growth of corporate deposits (+21% y/y after +12% in 2022) and retail ones (+14% after +4% respectively) widened significantly. The over-liquidity of the sector increased further as evidenced by a further drop of loan/deposit ratio to 66% from 70% at YE22 or an increase of NSFR ratio to 163% (end of September 2022 data) from 147% at YE22. The trend of change in deposit mix continued with share of term deposits increasing to 32% of total deposits from 30% at YE22.

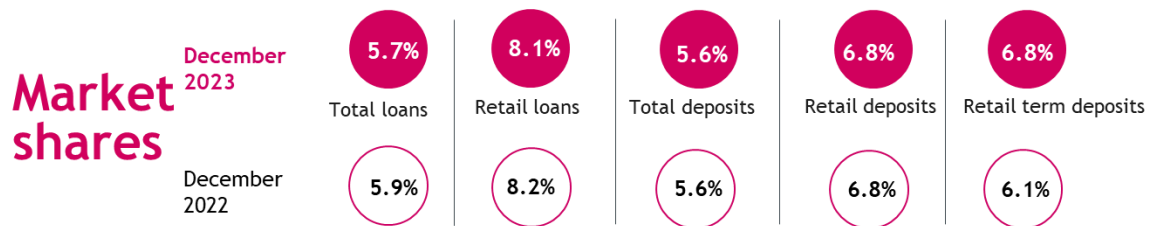
The Polish banking sector maintained a very strong capital position and in contrast to 2022 all metrics increased y/y. At end of September 2023, the equity of Polish commercial banks reached PLN245bn (YE22: PLN219bn) while capital ratios materially increased compared to YE22 levels (TCR at 22% at the end of September'23 vs. 19.4% at YE22, while Tier 1 ratio at 20.2% vs. 17.3% respectively).

2023 brought a continuation of a slow concentration in the sector. At YE23, the share of top five largest banks in total sector's assets was 59% vs. 58% at YE22. The number of commercial banks remained decreased by one to a total of 29 entities.

## The Bank's and BM Group' position on the market

At end of 2023, Bank Millennium ranked 7th among top commercial banks in Poland by total assets and deposits. The Bank's market share in total deposits was 5.6% (5.6% at end of 2022) and 5.7% (5.9%) in total loans. Bank Millennium Group had a relatively stronger position in the household segment (loans at 8.1% vs. 8.2% at YE22, deposits unchanged at 6.8%), in particular in PLN mortgage loans segment (9.1% vs. 8.6%), non-mortgage loans (9.1% vs. 8.8%) or transactions made with cards (8.1% in September '23 vs. 8.0% in 2022). In the companies' segment, where the Group has a lower share than in the retail segment (3.9% in deposits and 3.7% in loans), the Group maintains a traditionally above-average position in factoring products (c.5.7% in September'23). The Group continues to distribute its products and services via a network of 612 outlets (own branches and franchise ones), as well as through electronic channels, including cash machines, the Internet, phone and mobile apps.

### BM's market share in key segments/products



## 7. STRATEGY AND BUSINESS DEVELOPMENT PROSPECTS

### 7.1. 2022 - 2024 STRATEGY AND ITS DELIVERY

In the 2022 - 2024 strategy ('Strategy') announced by the BM Group on December 6, 2021 (details here: [2022-24 Strategy outline](#) and [2022-2024 Strategy presentation](#)), the BM Group concentrates on its response to growing post-pandemic expectations of customers and shareholders. By 2024, we aspire to reach PLN2 billion net profit (excluding costs related to FX mortgage loans portfolio) and ROE before such costs of around 14%. The improvement of efficiency ratios and business growth are to be driven by a continued increase of the number of active customers (to more than 3 million in 2024) as well as enhancements to cost-effective and scalable operational platform (cost-to-income ratio below 37% in 2024).

At the beginning of the Strategy execution, the Bank developed intensive operationalisation plan consisting of interlinked strategic projects and activities grouped in 17 areas ('Strategic Portfolio'), together contributing to reach the abovementioned strategic goals. In addition, Strategic Portfolio is covered by continued monitoring program that is a part of internal management system.

















The Bank is also monitoring carefully external factors (i.e. market and business environment), that can affect the Strategy. However, as these factors represents both potential positive as well negative impacts, the Bank, as for now, maintains assumptions and goals adopted in the Strategy.

In terms of Strategic Portfolio development, in 2023 Bank continued its work in the majority of the adopted 17 areas of strategic activities. The Bank communicated the most important work products to customers on an ongoing basis, as well as to the market. The most important of these are:

- Establishment of a strategic partnership with TU Europa for exclusivity to offer selected insurance products
- Launching a mobile application for enterprise customers
- Further development of product offering for microbusiness customers (e.g. Millennium Accounting module)
- Development of the credit offer for enterprise customers in terms of financing supported by external entities (e.g. BGK) and support for these customers in green transformation by a dedicated team of experts
- Initiation of work model transformation in the Bank's own branches supported by expansion of the number of branches operating in a format with automated cash service
- Launch of voice-bot solutions, operating on selected Bank's call center processes
- Transformation of the job positions and remuneration model for the Banks' headquarters employees

From the point of view of strategy implementation, the Bank's activities implemented under the recovery program also had a significant impact.

Ongoing activities, supported by external environment (without extraordinary items) contributed to the achievement of positive results in most of the defined strategic goals. As a result, the Bank in 2023 significantly exceeded the levels of strategic goals in the financial area, while maintaining the expected levels of risk. Worth to highlight is reaching the level of 3 million active customers of the retail banking segment ahead of the plan with 90% of activity in digital channels.

	CLIENT			FINANCE			RISK & CHF	
	 NUMBER OF RETAIL ACTIVE CLIENTS [million]	 SHARE OF DIGITAL ACTIVE CLIENTS [ % ]	 SHARE OF DIGITAL IN SALES <sup>1</sup> [ % ]	 ANNUAL PROFIT LEVEL <sup>2</sup> [mld zł]	 COST / INCOME <sup>2</sup> [ % ]	 RETURN ON EQUITY <sup>2</sup> [ % ]	 NON- PERFORMING LOANS [ % ]	 SHARE OF FX MORTGAGE IN BANK LOANS <sup>3</sup> [ % ]
2021	2 694	84%	n/a	1.01	42.8%	11.03%	4.4%	14.6%
4Q23	3 003 	90.0% 	75.0% 	3.00 	29.5% 	21.7% 	4.6% 	11.0%* 
2024 TARGET	3 000	>90%	80%	2.00	<37%	~14%	<4.7%	<10%

(1) calculated as an average of digital sales shares in key products volumes;

(2) Excluding FX-mortgage book related costs (for 2023 excluding financial impact of bancassurance transaction);

(3) According to the KNF methodology, in which, among other things, the provision for legal risk of the portfolio of foreign currency mortgages is not taken into account;

(\*) the share of all foreign currency mortgages in the Bank's total gross loans without taking into account the provision for legal risk was 11.9%

## 7.2. STRATEGIC OBJECTIVES FOR 2024

The Bank anticipates, that 2024 will be crucial for the Strategy execution in terms of completing a majority of the strategic actions and achieving the remaining strategic goals. The Bank will report on the specific products implementation in dedicated communications or as part of quarterly financial results. In addition, the Bank will present a new strategy for the coming years in the second half of 2024.

## 7.3. BUSINESS OUTLOOK FOR 2024

As mentioned at the beginning of this report, after a swing from a period of quarterly net losses to a net profit in 4Q22, each quarter of 2023 brought net positive result. This, we believe, marks a return to sustainable profitability and steady process of capital recovery as well as improvement of capital ratios, assuming no other extraordinary events.

In particular, the Bank is aware of risks connected with a potential extension of the so-called credit holidays for 2024. A legislative proposal was made public but until the moment of publication of this report, the proposal was not formally approved by the government and submitted to the Parliament. If such risk would materialize, it could imply upfront provision for such cost that would decrease the net interest income and the net result of the Bank/Group. Additionally, further negative developments regarding the legal risk of FX mortgage loans could imply the need to increase the level of provisions for such risk apart from the provisions that might result from current trends.

While 2023 was for the BM Group a year of a balancing act between focus on capital ratios, MREL and risk management on the one hand and maintenance of growth on the other, 2024 should bring a stronger focus on growth of the core business and in particular a rebound of sales volume in the corporate segment. The Bank assumes a drop of market interest rates, hence it will continue to partially hedge its balance sheet through fixed rate loan origination and adequate bond portfolio management. We expect flattish to slightly negative dynamics in operating income, double digit growth in opex, slightly higher nominal credit risk charge and return to payment of banking tax sometime during the year. However, all these factors, should, we currently expect, be more than offset by lower costs related to FX-mortgage portfolio.



## 8. FINANCIAL SITUATION

### 8.1. PROFIT AND LOSS ACCOUNT

Group's operating income (PLNmn)	2023	2022	Change y/y
Net interest income	5 253	3 337	57%
<i>Impact of credit holidays on net interest income</i>	(9)	(1 324)	-
<i>Net interest income without credit holidays</i>	5 263	4 661	13%
Net commission income	782	808	-3%
<b>Core income</b>	<b>6 036</b>	<b>4 146</b>	<b>46%</b>
<i>Core income without credit holidays</i>	<i>6 045</i>	<i>5 470</i>	<i>11%</i>
Other non-interest income*	687	(137)	-
<b>Total operating income*</b>	<b>6 723</b>	<b>4 009</b>	<b>68%</b>
<b>Total operating income adjusted**</b>	<b>6 397</b>	<b>5 614</b>	<b>14%</b>

(\*) Without fair value adjustment of credit portfolio (PLN-1mn in 2023 and PLN12.5mn in 2022), which is included in the cost of risk line

(\*\*) Without financial impact of insurance transaction (PLN652mn in 2023), negative impact of credit holidays (PLN9mn in 2023 and PLN1,324mn in 2022) and FX mortgage loan related costs/incomes (in FX position and other operating income/cost including indemnity from Societe Generale)

**Net interest income** (NII) in 2023 reached PLN5,253mn and grew 57% y/y. The inflated annual growth rate resulted from the negative impact of credit holidays for PLN mortgage borrowers booked mostly in 2022 (a significant amount of PLN1.32bn). NII growth without this effect was 13% y/y, mostly driven by higher market interest rates and the resultant higher Bank's interest margin. However the 75 bps central bank rates cut at the beginning of September and higher interest cost following the EUR500mn MREL bonds issue (September'23) resulted in a significant deceleration of the NII in 4Q23.

**Net interest margin** (over average interest earning assets) (NIM) averaged 4.60% in 2023, i.e. 17 bps above the 4.43% in 2022 (the latter without the impact of credit holidays mentioned above). 4Q23 brought lower NIM compared to the previous quarters of the reporting year, which resulted from a combination of denominator effect (high growth of IEAs) and the above mentioned higher cost of non-deposit funding.

**Net commission income** in 2023 amounted to PLN782mn and decreased 3% y/y, mainly due to contraction of commissions related to accounts service and transactions (a decrease by PLN42mn). Fees on brokerage and custody, funds management and distribution of mutual funds and other investment products also contracted slightly in annual terms. The more visible growing item were commissions from cards (up 12% y/y), whereas fees from bancassurance activity showed a decrease (-5% y/y) as a result of the bancassurance transaction.

**Reported core income**, defined as a combination of net interest and net commission income, reached PLN6,036mn in 2023 and grew strongly by 46% y/y (this was mostly an effect of credit holidays mentioned above). The growth without credit holidays was 11% y/y, reflecting the robust Group's recurrent income dynamics.

**Other non-interest income**, which comprises FX result, results on financial assets and liabilities (without fair value adjustment on credit portfolio) and net other operating income and costs showed considerably positive value of PLN687mn in 2023, mostly driven by the insurance transaction (sale of shares in Millennium Financial Services Sp. z o.o. to external insurance partner in March'23 and related impacts, with total pre-tax impact of PLN652mn). Costs of amicable settlements negotiated with FX mortgage borrowers and legal costs related to FX mortgage loans (PLN439mn presented in FX result and other operating costs) continued to negatively impact this line.



**Total operating income** of the Group reached PLN6,723mn in 2023 and showed a very strong increase of 68% y/y. Without the extraordinary income and costs mentioned above, it would be PLN6,397mn, up 14% y/y, leading to a meaningful Group's efficiency improvement.

**Total costs** amounted to PLN1,993mn in 2023, translating into 5% decrease y/y, mainly due to high contribution to Banking Guarantee Fund (BGF) funds and to the institutional protection scheme ('IPS') in 2022 (IPS cost for the Bank amounted to PLN276mn pre-tax in 2022). Total costs excluding BGF/IPS fees grew 14% y/y reflecting still high inflationary pressures.

<b>Operating costs</b> (PLNmn)	<b>2023</b>	<b>2022</b>	<b>Change y/y</b>
Personnel costs	(1 035)	(916)	13%
Other administrative costs	(958)	(1 177)	-19%
<i>of which Banking Guarantee Fund (BGF) fees and IPS contribution</i>	(60)	(397)	-85%
<b>Total operating costs</b>	<b>(1 993)</b>	<b>(2 093)</b>	<b>-5%</b>
<b>Total costs without BFG/IPS</b>	<b>(1 933)</b>	<b>(1 696)</b>	<b>14%</b>
Cost/income - reported*	29.6%	39.3%	-9.6 pp
<b>Cost/income - adjusted**</b>	<b>29.5%</b>	<b>36.2%</b>	<b>-6.7 pp</b>

(\*) without credit holidays

(\*\*) without one-off income or cost

**Personnel costs** amounted to PLN1,035mn in 2023 and increased 13% y/y, mainly as a result of wage inflation feeding through higher base salaries. The Group continued to adjust the number of its branches and personnel to its needs, reflecting ongoing digitalisation of banking business and the growing importance of online channels while simultaneously keeping strong geographical presence through *brick-and-mortar* outlets. At the end of 2023, the total number of outlets stood at 612 and their number was reduced by 23 units vs. the end of 2022. The number of Group's employees amounted to 6,747 FTEs at the end of 2023 and was 2% lower vs. the level a year ago. Without employees absent due to long leaves ('active FTEs'), the headcount was even lower at 6,320 staff.

<b>Employment</b> (FTEs)	<b>31.12.2023</b>	<b>31.12.2022</b>	<b>Change y/y</b>
Bank Millennium S.A.	6 460	6 578	-2%
Subsidiaries	287	282	2%
Total Bank Millennium Group	6 747	6 860	-2%
Total BM Group (active* FTEs)	6 320	6 325	0%

(\*) active FTEs denote employees not on long-term leaves

**Other administrative costs** (including depreciation) reached PLN958mn in 2023 and decreased by 19% y/y due to much lower contribution to BGF (no payments to Deposit Guarantee Fund) and no contributions to IPS, which was mentioned above, whereas costs without BGF/IPS increased by 15% y/y due to increase of such items as legal and advisory costs, rental and office maintenance, as well as IT and telecommunication costs. Legal costs resulting from negotiations and litigations with FX mortgage borrowers were an additional burden to this cost group (PLN104mn in the reporting period).

**Cost-to-income ratio** for 2023 amounted to 29.6% and was lower by 9.6 percentage points vs. the 2022 level (39.3%). Cost-to-income ratio without extraordinary items mentioned above (mainly the bancassurance transaction, cost of credit holidays and legal costs and FX losses related to litigations/settlements with FX mortgage borrowers), reached record low level of 29.5% in 2023 and was 6.7 percentage points lower than in 2022.

Net profit (PLNmn)	2023	2022	Change y/y
Operating income	6 723	4 009	68%
- of which cost of credit holidays	(9)	(1 324)	-
Operating costs	(1 993)	(2 093)	-5%
Impairment provisions and other cost of risk *	(299)	(358)	-16%
Other modifications**	(52)	(102)	-49%
FX legal risk related provision	(3 065)	(2 017)	52%
Banking tax	0	(169)	-100%
Pre-tax profit	1 312	(731)	-
Income tax	(737)	(284)	160%
<b>Net profit - reported</b>	<b>576</b>	<b>(1 015)</b>	<b>-</b>
<b>Net profit - adjusted***</b>	<b>2 993</b>	<b>2 239</b>	<b>34%</b>

(\*) Impairment provisions for financial and non-financial assets including also fair value adjustment on loans (PLN-1mn in 2023 and PLN13mn in 2022) and loans modification effect (PLN-36mn in 2023 and PLN-25mn in 2022);

(\*\*) The value of modification booked in the given period resulting from amicable settlements with FX mortgage borrowers and referring to a specific group of such agreements;

(\*\*\*) Without extraordinary items, i.e. financial impact of bancassurance transaction (PLN652mn in 2023), negative impact of credit holidays (PLN9mn in 2023 and PLN1,324mn in 2022), FX-mortgage related costs and hypothetical banking tax in 2023 and 2H22

**Total cost of risk**, which comprised net impairment provisions, fair value adjustment related to specified loan portfolios and a part of result on modifications (excluding the part related to settlements with FX mortgage borrowers), bore by the Group amounted to PLN299mn in 2023 and was 16% lower than in 2022.

**Risk charges** for retail segment (including FX mortgage) were the main component of risk cost and amounted to PLN281mn in 2023. Risk charge for corporate and other segments was moderate and amounted to a mere PLN18mn. In relative terms, the cost of risk (i.e. net charges to average gross loans) for 2023 reached 39 basis points (annualised) and was 5 basis points lower than in 2022 (44 basis points).

In 2023, the Group booked in modifications line a part of costs related to settlements with FX mortgage borrowers in the amount of PLN52mn, 49% lower than in the previous year.

In 2023, the Bank continued to create **provisions for legal risk related to FX-mortgage portfolio**, which remained a significant item in the P&L statement and reached PLN3,065mn (PLN2,828mn excluding loans generated by former Euro Bank as they are subject to indemnity clauses and guarantees from Societe Generale). The provisions were significantly higher (i.e. by 52%) than these in 2022. The Bank's estimates of provisions for 2023 take into consideration the judgement of the European Court of Justice of June 15, 2023 on case C-520/21, with resultant elimination from the Bank's legal risk provisioning methodology of the probability of receiving remuneration for the use of capital it had provided. Additionally, the Bank also updated other parameters in its methodology. At the end of December'23, provisions for the portfolio originated by Bank Millennium were at the level of PLN7,269mn (an equivalent of 82.5% of the grossed-up FX-mortgage book) and at PLN603mn for the portfolio originated by the former Euro Bank.

**Pre-income tax profit** in 2023 amounted to PLN1,312mn, compared to the pre-tax loss of PLN731mn in 2022. The Bank has not been due to pay banking tax since July 15, 2022, the date of the Bank's decision to launch the Recovery Plan and notification of the fact to both PFSA and Bank Guarantee Fund.

In 2023 the Group reported **net profit** of PLN576mn vs. the net loss of PLN1,015mn in 2022. Adjusted for the abovementioned extraordinary items (i.a. the transaction of sale of shares in bancassurance

business and FX-mortgage related costs) the Group would achieve the net profit of PLN 2,993mn in 2023, 34% above the adjusted 2022 net profit of PLN2,239mn.

Reported 2023 return on equity (ROE) stood at 9.1% but when adjusted for extraordinary items it reached 21.7% which was slightly higher than adjusted ROE for 2022 of 21.5% . Reported Return on Assets (ROA) for 2023 was 0.5%.

The breakdown of Group's Net Profit by the Group's companies is presented in the table below:

<b>Group's profit structure</b> <i>(PLN million)</i>	<b>2023</b>
Bank Millennium	510.3
Millennium Bank Hipoteczny (mortgage bank)	9.5
Millennium Leasing	43.4
Millennium TFI (mutual funds management)	16.3
Millennium Service	26.6
Other consolidated companies	4.0
<b>Summarised profits</b>	<b>610.1</b>
Consolidation adjustments	(34.4)
<b>Consolidated Net Profit of the Group</b>	<b>575.7</b>

### Bank's Profit and Loss Account

Changes of particular key items of the Bank's Profit and Loss Account in 2023 are shown in the table below.

<b>Bank's operating income</b> <i>(PLNmn)</i>	<b>2023</b>	<b>2022</b>	<b>Change y/y</b>
Net interest income	5 135	3 238	59%
<i>Impact of credit holidays on net interest income</i>	(11)	(1 292)	-
<i>Net interest income without credit holidays</i>	5 146	4 529	14%
Net commission income	684	715	-4%
<b>Core income</b>	<b>5 818</b>	<b>3 953</b>	<b>47%</b>
<b>Core income without credit holidays</b>	<b>5 830</b>	<b>5 244</b>	<b>11%</b>
Other non-interest income*	704	(93)	-
<i>of which dividends</i>	32	46	-30%
<b>Total operating income*</b>	<b>6 522</b>	<b>3 860</b>	<b>69%</b>

(\*) Without fair value adjustment of credit portfolio (PLN-1mn in 2023 and PLN12.5mn in 2022), which is included in the cost of risk line

The Bank's (non-consolidated) 2023 net interest income amounted to PLN5,135mn and increased by 59% y/y and similar as in the Group's case, the growth rate was inflated by credit holidays impact, booked by the Bank mostly in 2022 (PLN1 292mn). Net interest income without the cost of credit holidays would grow 14% y/y - at similar scale as for the Group.

Net commission income in 2023 amounted to PLN684mn and decreased -4% y/y. Core income for 2023 was PLN5,818mn. Core income (adjusted for credit holidays impact) grew 11%, the same growth scale as in the case of the Group.

Other non-interest income of the Bank in 2023 reached PLN704mn while in 2022 it was negative (PLN-93mn). The income line was strongly driven by the impact of similar extraordinary items as it was described above for the Group (mostly the insurance transaction and the costs related to FX mortgage

loans and settlements with the borrowers). This item includes dividends, largely from the Capital Group's subsidiaries (eliminated in reports on the Group level). Dividend income in 2023 reached PLN32mn, which means a decrease by 30% y/y.

As a result of the evolution of the abovementioned items the Bank's total operating income in 2023 amounted to PLN6,522mn and grew by 69% y/y (similar scale of annual growth as for the total Group).

<b>Bank's net profit</b> <i>(PLN million)</i>	<b>2023</b>	<b>2022</b>	<b>Change</b> <b>y/y</b>
Operating income	6 522	3 860	69%
Operating costs	(1 921)	(2 020)	-5%
Impairment provisions and other cost of risk *	(259)	(316)	-18%
Other modifications**	(52)	(102)	-49%
Provision for legal risk related to FX mortgage loans	(3 065)	(2 017)	52%
Banking tax	0	(169)	-100%
Pre-income tax profit	1 225	(765)	-
Income tax	(715)	(265)	169%
<b>Net profit</b>	<b>510</b>	<b>(1 030)</b>	<b>-</b>

(\*) Impairment provisions for financial and non-financial assets including also fair value adjustment on loans (PLN-1mn in 2023 and PLN13mn in 2022) and loans modification effect (PLN-36mn in 2023 and PLN-25mn in 2022);

(\*\*) The value of modification booked in given period resulting from amicable settlements with FX mortgage borrowers and referring to a specific group of such agreements.

The Bank's operating costs reached the total amount of PLN1,921mn in 2023 and was 5% lower vs. the level for 2022. The reasons for the annual decrease of costs are the same as in case of the consolidated data for the whole Capital Group (mainly higher contribution to Banking Guarantee Fund (BFG) funds and to the institutional protection scheme ('IPS') in 2022). The evolution of personnel costs and other administrative costs (without BFG/IPS) was similar to the corresponding Group's items and was highly inflation-driven.

Impairment write-offs and other costs of risk of the Bank were PLN259mn in 2023, which means 18% decrease y/y - the similar scale as in the Group's case.

Besides provisions for credit risk, in 2023 the Bank created a provision for legal risk related to FX mortgage loans in the amount of PLN3,065mn, which was explained above in the part referring to the whole Group.

The Bank reported pre-tax profit for 2023 of PLN1,225mn and net profit of PLN510mn vs. the net loss of PLN1,030mn for 2022, marking the significant improvement in profitability.

Return on the Bank's assets (ROA) reached 0.4%.

## 8.2. RESULTS OF BUSINESS SEGMENTS

Bank Millennium recent financial performance has been significantly influenced by the costs related to managing legacy FX mortgage portfolio of loans. To isolate these costs and other financial results related to this portfolio the Bank decided to carve-out a new segment from 'Retail' and present it in financial statements segmental reporting as 'FX mortgage'. Such change impacts only results presentation and is not triggering any organizational changes in the Bank. New segment includes loans separated based on active FX mortgage contracts for a given period and is applying to portfolios of retail mortgages originated in Bank Millennium and Eurobank in foreign currencies. This portfolio is expected to run-off in line with repayments of FX mortgage loans, conversions to PLN mortgage loans and consequences of court verdicts.

Presented below are data regarding the Profit and Loss Account for the Group's four business segments: retail segment, corporate segment, FX mortgage loans segment and treasury operations, assets/liabilities management and other segment. The retail segment comprises services provided to

individual customers on the mass market, affluent customers, sole traders as well as services to small companies (with annual turnover below PLN5mn). The corporate segment involves services to medium and large companies as well as public sector entities. The treasury operations, assets/liabilities management and other business comprises the Group's treasury investments, interbank market transactions, taking positions in debt securities, brokerage activity as well as other transactions not classified in the first three segments.

<b>Retail segment</b> <i>(PLN million)</i>	<b>2023</b>	<b>2022</b>	<b>Change y/y</b>
Net interest income *	4 684	3 089	52%
Net commission income	591	597	-1%
Other income**	112	114	-2%
<b>Total operating income</b>	<b>5 387</b>	<b>3 800</b>	<b>42%</b>
<b>Total operating costs</b>	<b>(1 472)</b>	<b>(1 621)</b>	<b>-9%</b>
<b>Pre-provision income</b>	<b>3 915</b>	<b>2 179</b>	<b>80%</b>
Impairment provisions and other cost of risk**	(314)	(386)	-19%
<b>Operating profit</b>	<b>3 600</b>	<b>1 793</b>	<b>101%</b>

(\*) Part of interest income generated by this segment (so called liquidity premium) has been recognized in the third segment of "Treasury, ALM and other" in accordance to Recommendation P of the Polish regulator (KNF)

(\*\*) Fair value adjustment of credit portfolio (PLN-1mn in 2023 and PLN13mn in 2022) has been moved to pro-forma cost of risk. Cost of risk includes also result from modification.

Total operating income of the retail segment in 2023 was PLN5,387mn, which represents a very strong increase by 42% y/y. Net interest income of the retail segment recorded a very high growth by 52% y/y reflecting the impact of credit holidays (mentioned above in the comments regarding Group's net interest income) but also as a result of higher business volumes and improvement in spreads. Net commission income decreased slightly 1% y/y mainly due to negative trends in fees from investment products and lower bancassurance commissions. Operating costs of the retail segment fell by 9% y/y as a result of much higher contribution to BGF funds and IPS in 2022, which was commented earlier in the text.

As a result of the abovementioned evolution of operation income and costs, total retail segment pre-provision income reached PLN3,915mn in 2023 and increased very strongly by 80% vs. the level of 2022. The cost of risk of the segment presented a material decrease by 19% y/y.

Operating profit of the retail segment for 2023 - after consideration of the provisions - amounted to PLN3,600mn and showed an exceptionally high growth of 101% y/y impacted by credit holidays costs in 2022.

Corporate segment (PLN million)	2023	2022	Change y/y
Net interest income *	777	836	-7%
Net commission income	176	197	-11%
Other income	93	94	-1%
<b>Total operating income</b>	<b>1 045</b>	<b>1 127</b>	<b>-7%</b>
<b>Total operating costs</b>	<b>(296)</b>	<b>(268)</b>	<b>10%</b>
<b>Pre-provision income</b>	<b>749</b>	<b>859</b>	<b>-13%</b>
Impairment provisions and other cost of risk**	(18)	(3)	463%
<b>Operating profit</b>	<b>731</b>	<b>856</b>	<b>-15%</b>

(\*) Part of the interest income generated by this segment (so called liquidity premium) has been recognized in the segment of "Treasury, ALM and other" in accordance to Recommendation P of the Polish regulator (KNF)

(\*\*) Cost of risk includes also result from modification.

Total operating income of the corporate segment in 2023 stood at PLN1,045mn and decreased by 7% compared to the level of 2022. This was first of all the result of lower net interest income due to lower level of loans being the outcome of RWA optimisation. Net commission income declined 11% y/y and other non-interest income was only 1% lower vs the level of 2022. Operating costs of the corporate segment saw a 10% increase y/y.

As a result of the above pre-provision income decreased by 13% y/y. Value of net impairment write-offs regarding loans to companies in 2023 still presented a low value of PLN18mn. Taking all above factors together, the operating profit of the corporate segment saw a decrease of 15% y/y to the level of PLN731mn in 2023.

Treasury, ALM and other segment (PLN million)	2023	2022	Change y/y
Net interest income*	(227)	(681)	-
Net commission income	4	0	-
Other income	658	(47)	-
<b>Total operating income</b>	<b>435</b>	<b>(728)</b>	<b>-</b>
<b>Total operating costs</b>	<b>(120)</b>	<b>(146)</b>	<b>-17%</b>
<b>Pre-provision income</b>	<b>315</b>	<b>(874)</b>	<b>-</b>
Impairment provisions and other cost of risk	(0)	(4)	-98%
<b>Operating profit</b>	<b>315</b>	<b>(878)</b>	<b>-</b>

(\*) Part of the interest income generated by other segments (so called liquidity premium) has been recognized in the segment of "Treasury, ALM and other" in accordance to Recommendation P of the Polish regulator (KNF)

Total operating income of the Treasury, ALM and other segments in 2023 recorded a positive value of PLN435mn, first of all as a result of insurance transaction mentioned above in the text. Net interest income was negative and amounted to PLN-227mn due to fund transfer pricing specifics and MREL bonds issue costs. Operating costs declined by 17% y/y. Operating profit of the entire segment amounted to PLN315mn for 2023.



FX Mortgage (PLN million)	2023	2022	Change y/y
Net interest income*	20	94	-79%
Net commission income	12	14	-18%
Other income	(176)	(298)	-
<b>Total operating income</b>	<b>(145)</b>	<b>(190)</b>	<b>-</b>
<b>Total operating costs</b>	<b>(104)</b>	<b>(59)</b>	<b>78%</b>
<b>Pre-provision income</b>	<b>(249)</b>	<b>(249)</b>	<b>-</b>
Impairment provisions and other cost of risk**	(3 085)	(2 084)	48%
<b>Operating result</b>	<b>(3 333)</b>	<b>(2 333)</b>	<b>-</b>

(\*) Part of the interest income generated by other segments (so called liquidity premium) has been recognized in the segment of "Treasury, ALM and other" in accordance to Recommendation P of the Polish regulator (KNF)

(\*\*) Including legal risk provisions for FX mortgage portfolio and result on modification

Total operating loss of the FX Mortgage segment in 2023 was PLN3,333mn, due to high provisions for legal risk related to the loan book and costs of settlements presented in modifications (total cost of risk amounted to PLN3,085mn). Moreover, the impact of cost of amicable settlements with clients in FX income and legal costs in operating costs had additional adverse effect on the financial result. Operating loss was significantly higher vs. the previous year by PLN1bn.

More information on business segments of the Group can be found in Chapter 9 "Operational Segments" of the Annual Financial Statements of Bank Millennium S.A. Capital Group for the period of 12 months ending on 31 December 2023.

### 8.3. BALANCE SHEET AND OFF-BALANCE SHEET ITEMS

#### Assets

The Group's assets as at 31 December 2023, amounted to PLN125,520mn, and were higher by 13% vs. the 31 December 2022. Structure of the Group's assets as well as changes of their particular components have been presented in the table below:

Group's Assets (PLN million)	31.12.2023		31.12.2022		Change y/y
	Value	Structure	Value	Structure	(%)
Cash and operations with the Central Bank	5 095	4.1%	9 536	8.6%	-47%
Loans and advances to banks	793	0.6%	733	0.7%	8%
<b>Loans and advances to clients</b>	<b>73 643</b>	<b>58.7%</b>	<b>76 565</b>	<b>69.0%</b>	<b>-4%</b>
Receivables from securities bought with sell-back clause	1 163	0.9%	5	0.0%	-
Debt securities	41 009	32.7%	20 471	18.5%	100%
Derivatives (for hedging and trading)	572	0.5%	475	0.4%	21%
Shares and other financial instruments*	148	0.1%	153	0.1%	-4%
Tangible and intangible fixed assets**	1 047	0.8%	1 009	0.9%	4%
Other assets	2 049	1.6%	1 994	1.8%	3%
<b>Total assets</b>	<b>125 520</b>	<b>100.0%</b>	<b>110 942</b>	<b>100.0%</b>	<b>13%</b>

(\*) including investments in associates

(\*\*) excluding fixed assets for sale

The key reason for the growth of total assets in 2023 was the growth of debt securities (+PLN 20.5bn) whereas loans to customers contracted by PLN2.9bn.



### Loans and advances to Clients

**Total net loans** of Bank Millennium Group reached PLN73,643mn at the end of 2023 and were down 4% y/y. Loans without FX-mortgage portfolio increased by 1% y/y. FX mortgage loans net of provisions decreased materially during the last twelve months (down 56%) and the share of FX mortgage loans (excluding these taken over with Euro Bank) in total gross loans has dropped materially during the year to 3.6% from 8.1% a year ago. This was partly due to the fact that most of legal risk provisions lower the gross value of the loans apart from regular amortisation, earlier repayments and conversions to PLN.

The net value of loans to households amounted to PLN56,386mn at the end of December 2023, showing a decline of 3% y/y as a result of shrinking book value of FX mortgage portfolio. Within this line, PLN mortgages grew 4% y/y, although the new loans origination and consequently disbursements contracted visibly in the high interest rates environment. In 2023, disbursements of PLN mortgage loans reached PLN4,841mn and fell by 27% compared to the level in 2022.

The net value of consumer loans reached PLN17,040mn at the end of December 2023 and increased by 7% y/y. The trend in cash loans origination was very positive - new loans disbursed in 2023 reached PLN6,330mn, up 16% vs. 2022.

Net value of loans to companies amounted to PLN17,257mn at the end of 2023 and decreased by 8% y/y. The contraction of the loan portfolio was largely caused by the Group's focus on risk weighted assets (RWA) optimisation resulting from capital management objectives.

The structure and evolution of loans to clients of the Group is presented in the table below:

<b>Loans and advances to clients</b> <i>(PLN million)</i>	<b>31.12.2023</b>	<b>31.12.2022</b>	<b>Change y/y</b>
Loans to households	56 386	57 859	-3%
- <i>PLN mortgage loans</i>	36 356	35 108	4%
- <i>FX mortgage loans</i>	2 989	6 840	-56%
- <i>of which Bank Millennium loans</i>	2 651	6 240	-58%
- <i>of which ex-Euro Bank loans</i>	338	600	-44%
- <i>consumer loans</i>	17 040	15 911	7%
Loans to companies and public sector	17 257	18 706	-8%
- <i>leasing</i>	6 599	7 030	-6%
- <i>other loans to companies and factoring</i>	10 658	11 676	-9%
<b>Net loans &amp; advances to clients</b>	<b>73 643</b>	<b>76 565</b>	<b>-4%</b>
<i>Net loans and advances to clients excluding FX mortgage loans</i>	<i>70 654</i>	<i>69 725</i>	<i>1%</i>
Impairment write-offs	2 518	2 460	2%
<b>Gross* loans and advances to clients</b>	<b>76 161</b>	<b>79 025</b>	<b>-4%</b>

(\*) Including, besides provisions for credit risk, also fair value adjustment of loan portfolio presented in fair value as well as modification. Gross loan portfolio in this case presents value of loans and advances before mentioned provisions and adjustments.

Average interest rate on the Bank's loan portfolio in 2023 was 8.6%. This rate includes net interest income on hedging derivatives (mainly FX and interest rate SWAPs) regarding loans granted in foreign currencies, which offsets the nominally lower interest rate on these loans.

*Debt securities*

Value of debt securities reached PLN41,009mn at the end of December 2023, which means a significant increase of 100% y/y.

A dominant part of the debt securities portfolio (94%) were bonds and bills issued by the Polish State Treasury, other EU governments (equivalent of c.a PLN 7.5bn) and National Bank of Poland (Central Bank). The increase of debt securities portfolio was a consequence of assets/liabilities and interest margin management policy and was correlated with the changes of loans and deposits. The share of this group of debt securities in the Group's total assets was at 30.9% at end of December 2023 reflecting a good liquidity position of the Group.

More information on debt securities and liquidity management of the Bank can be found in Chapter 11.4. of this document and in Chapter 8.5. "Liquidity Risk" of the Annual Financial Statements of Bank Millennium S.A. Capital Group for the period of 12 months ending on 31 December 2023.

*Derivative instruments*

The value of derivatives (for trading and hedging) totalled PLN572mn at end of December 2023 (increase by 21% y/y), and refer to positive valuation of derivatives whereas negative valuation of derivative instruments is presented on liabilities side. The main component of derivatives are FX swaps and other FX derivatives, cross-currency swaps and interest rate swaps. The valuation of those instruments depends on changes in FX rates and interest rates level.

The Group manages FX liquidity using FX-denominated deposits, own issue of EUR bonds as well as Cross Currency Swap and FX Swap transactions. The importance of swaps has been decreasing because of the reduction of the FX mortgage loan portfolio and the hedge in foreign currency of most of the provisions for legal risk. The swaps portfolio is diversified with respect to counterparties.

More information on derivative transactions of the Bank can be found in Note 19E and Note 24 and in Chapter 8.5. "Liquidity Risk" of the Annual Financial Statements of Bank Millennium S.A. Capital Group for the period of 12 months ending on 31 December 2023.

*Loans and advances to banks*

Loans and advances to banks (including interbank deposits) stood at PLN793mn at the end of December 2023, which means an increase by 8% y/y.

*Shares/equities and other financial instruments*

Value of equities/shares and other financial instruments amounted to PLN148mn at the end of December 2023 and it decreased by 4% y/y.

*Tangible fixed assets and intangibles and goodwill (investment outlays)*

Tangible fixed assets and intangibles and goodwill of the Group amounted to PLN1,047mn at the end of December 2023 and increased by 4% y/y due to the growth of intangible assets (+10% y/y) whereas tangible fixed decreased slightly.

Total investment of the Group in 2023 amounted to PLN175.8mn. Outlays for the Bank's physical infrastructure (headquarter modernization, branches, ATMs etc.) amounted to PLN31.5mn and PLN140.2mn for software and IT infrastructure. Value of other outlays i.e. PLN4.1mn, relates to Bank's subsidiaries. The Bank Millennium Group plans investment capital expenditures in 2024 in the amount of PLN265.9mn, out of which ca. 74% will be allocated to IT projects (i.e. further internet and mobile banking developments, capacity extensions as well as regulatory & security projects).

Bank's unconsolidated assets, as on 31 December 2023 reached the value of PLN124,888mn and were 13% higher compared to the level as at the end of 2022. Structure of the Bank's assets and changes of individual components are presented in table below:

Bank's Assets (PLN million)	31.12.2023		31.12.2022		Change y/y
	Value	Structure	Value	Structure	(%)
Cash and operations with the Central Bank	5 095	4.1%	9 536	8.6%	-47%
Loans and advances to banks	1 867	1.5%	1 410	1.3%	32%
<b>Loans and advances to clients</b>	<b>72 405</b>	<b>58.0%</b>	<b>75 856</b>	<b>68.6%</b>	<b>-5%</b>
Receivables from securities bought with sell-back clause	1 163	0.9%	5	0.0%	-
Debt securities	40 527	32.5%	20 404	18.4%	99%
Derivatives (for hedging and trading)	573	0.5%	475	0.4%	21%
Shares and other financial instruments	495	0.4%	401	0.4%	23%
Tangible and intangible fixed assets*	1 034	0.8%	990	0.9%	4%
Other assets	1 728	1.4%	1 566	1.4%	10%
<b>Total assets</b>	<b>124 888</b>	<b>100.0%</b>	<b>110 643</b>	<b>100.0%</b>	<b>13%</b>

\* excluding fixed assets for sale

The key difference between the level of assets of Bank standalone and the consolidated Group is the value of loans to customers. In the first place it relates to mortgage loans transferred to mortgage bank subsidiary with the total balance as at the end of 2023 of PLN1,140mn and receivables due from leasing company customers in the amount of PLN6,738mn (although significant part of the said receivables was financed by the Bank) and relates to elimination of mutual transactions between the Bank and other companies from the Capital Group in consolidated financial statements.

Total Loans to customers in the Bank amounted to PLN72,405mn at the end of December 2023 and decreased by 5% y/y (similar scale of decrease as for the Group).

Value of debt securities in the Bank's assets reached PLN40,527mn at the end of December 2023. Both the portfolio dynamics and structure remained similar as in the case of the Group (as described above) although a bit higher balances for the Group (by PLN482mn) resulted from treasury debt securities held by the Bank's subsidiaries: Millennium Leasing and Millennium Bank Hipoteczny.

Loans and advances to banks (including interbank deposits) stood at PLN1,867mn at the end of December 2023, which means an increase by 32% y/y. Different evolution of this item compared to the Group's case results from the financing extended by the Bank to its subsidiary Millennium Bank Hipoteczny.

Equities/shares and other financial instruments presented in the Bank's financial statements, unlike in the case of Group reports, incorporated valuation of shares in subsidiaries. The value of this item, as on 31 December 2023, amounted to PLN495mn, recording an increase by 23% y/y.

The Bank's fixed assets and intangibles amounted to PLN1,034mn at the end of December 2023 and increased by 4% vs. the previous year.

Values and annual changes to other asset groups presented in the table above are similar to the corresponding items of consolidated Group, as described earlier in this document.

## Liabilities

The structure of Group's liabilities and equity and the changes of their particular components are presented in the table below:

Group's Liabilities and Equity (PLN million)	31.12.2023		31.12.2022		Change y/y
	Value	Structure	Value	Structure	(%)
Deposits from banks	564	0.5%	728	0.7%	-23%
<b>Deposits from customers</b>	<b>107 246</b>	<b>90.4%</b>	<b>98 039</b>	<b>93.0%</b>	<b>9%</b>
Liabilities from securities sold with buy-back clause	0	0.0%	0	0.0%	-
Financial liabilities valued at fair value through P&L and hedging derivatives	773	0.7%	940	0.9%	-18%
Liabilities from issue of debt securities	3 318	2.8%	244	0.2%	1261%
Provisions	1 445	1.2%	1 016	1.0%	42%
Subordinated debt	1 565	1.3%	1 568	1.5%	0%
Other liabilities*	3 714	3.1%	2 914	2.8%	27%
<b>Total liabilities</b>	<b>118 625</b>	<b>100.0%</b>	<b>105 448</b>	<b>100.0%</b>	<b>12%</b>
<b>Total equity</b>	<b>6 895</b>		<b>5 494</b>		<b>25%</b>
<b>Total liabilities and equity</b>	<b>125 520</b>		<b>110 942</b>		<b>13%</b>

\* including tax liabilities

At the end of December 2023 liabilities accounted for 95%, while equity of the Group - for 5% of total liabilities and equity capitals.

As on 31 December 2023 Group's total liabilities amounted to PLN118,625mn and were higher by 12% relative to their value as on 31 December 2022. The main change to liabilities resulted from material increase of deposits by PLN9,208mn and issuance of debt securities (balances higher by PLN3,074) during the reported year.

### Customers' deposits

Customer deposits constituted the main line item under the Group's accounting for, as on 31 December 2023, 90% of total liabilities. Customer deposits constitute the main source of financing of Group's activities and incorporate, primarily, customer funds on current and saving accounts as well as on term deposit accounts.

The evolution of clients deposits is presented in the table below:

<b>Customer deposits</b> <i>(PLN million)</i>	<b>31.12.2023</b>	<b>31.12.2022</b>	<b>Change y/y</b>
Deposits of individuals	76 600	68 787	11%
Deposits of companies and public sector	30 647	29 252	5%
<b>Total deposits</b>	<b>107 246</b>	<b>98 039</b>	<b>9%</b>

**Total deposits** amounted to PLN107,246mn on 31 December 2023 and were up 9% y/y. The main driver of this growth were deposits of individuals, which reached PLN76,600mn on 31 December 2023 and increased 11% y/y. Term deposits from retail clients grew strongly by 34% y/y whereas current and saving accounts of individuals grew only by 2% y/y.

Deposits of companies and public sector, which reached PLN30,647mn on 31 December 2023, grew 5% y/y.

Average interest rate on all deposits in the Bank in 2023 amounted to 2.7%

#### *Deposits from banks*

Deposits from banks, including credits received, as on 31 December 2023, amounted to PLN564mn. Value of this item decreased by 23% relative to the balance as on 31 December 2022, mainly in effect of lower balance of credits received from financial institutions by PLN105mn. During the 12 month period the Group repaid the whole outstanding loans. Term deposits from financial institutions fell by PLN53mn.

#### *Financial liabilities valued at fair value through Profit and Loss Account and derivative instruments*

Financial liabilities valued at fair value through Profit and Loss Account and derivative instruments included, primarily, negative valuation of derivatives for trading or hedging and liabilities resulting from securities subject to short sale. Value of this item, as on 31 December 2023, amounted to PLN773mn, showing a decline by 18% relative to the balance as on 31 December 2022, mainly due to decreasing negative valuation of derivatives for hedging by PLN361mn. The changes of valuation (positive and negative) of derivatives has been described in above comments regarding Group's assets.

#### *Provisions*

The value of provisions as on 31 December 2023 was PLN1,445mn which signifies strong growth by PLN429mn or 42% y/y. The reason for the increase was mostly creating new provisions for legal issues, especially claims related to FX mortgage loan agreements (increase of the balance sheet value by PLN427mn not including the value of provisions directly allocated to the loan portfolio).

#### *Debt securities issued*

Securities issued by the Group amounted to PLN3,318mn as on 31 December 2023 recording significant increase by PLN3,074mn relative to the balance as on 31 December 2022. The increase resulted from the issue of bonds by the Bank and Bank's subsidiary Millennium Leasing.

In December 2022 the Bank issued Credit Link Notes ('CLNs') in the amount of PLN242.5mn within a synthetic securitisation transaction related to corporate loans. Additionally, in 2023 as a part of synthetic securitisation transaction, the Bank issued PLN489mn worth of CLNs, while Millennium Leasing issued PLN280mn worth of CLNs. Total value of CLNs outstanding on December 31, 2023 stood at PLN1,011mn.

In order to meet MREL requirements, the Bank successfully completed the subscription of senior non-preferred bonds in September 2023 with a total value of EUR 500 million under the Euro Medium Term Notes Issuance Program with a total nominal value of no more than EUR 3 billion.

### *Subordinated debt*

The value of subordinated debt amounted to PLN1,565mn as on 31 December 2023, and remained on almost the same level vs. 31 December 2022 (a slight difference results from interest accrued and paid). The subordinated debt line includes ten-year subordinated bonds in PLN at the total nominal value of PLN830mn maturing in January 2029 and ten-year bonds in PLN at the total nominal value of PLN700mn maturing in December 2027.

### *Equity*

As on 31 December 2023, equity of the Group amounted to PLN6,895mn and recorded a material increase by PLN1,400mn or 25% y/y. Apart from net profit generated in 2023 the increase of equity was supported by positive impact of other comprehensive income items (PLN825mn), predominantly valuation of bonds and hedge instruments.

Information on capital adequacy is presented in Chapter 11.2 of this document and in Chapter 8.2. "Capital Management" of the Annual Financial Statements of Bank Millennium S.A. Capital Group for the period of 12 months ending on 31 December 2023. Additionally, information on capital adequacy will also be available in a separate report titled 'Report on capital adequacy, risk and remuneration policy in the Bank Millennium Capital Group for 2023' to be published at a later stage.

The non-consolidated Bank's liabilities as at 31 December 2023 reached the value of PLN118,273mn million and were 12% higher compared to the end of 2022. Structure of the Bank's liabilities and equity as well as changes of their particular components are presented in the table below:

<b>Bank's Liabilities and Equity (PLN million)</b>	<b>31.12.2023</b>		<b>31.12.2022</b>		<b>Change y/y</b>
	<b>Value</b>	<b>Structure</b>	<b>Value</b>	<b>Structure</b>	<b>(%)</b>
Deposits from banks	565	0.5%	625	0.6%	-10%
Deposits from customers	107 506	90.9%	98 265	93.4%	9%
Liabilities from securities sold with buy-back clause	0	0.0%	0	0.0%	-
Financial liabilities at fair value through P&L and hedging derivat.	773	0.7%	939	0.9%	-18%
Liabilities from issue of debt securities	3 028	2.6%	244	0.2%	1142%
Provisions	1 444	1.2%	1 015	1.0%	42%
Subordinated debt	1 565	1.3%	1 568	1.5%	0%
Other liabilities*	3 392	2.9%	2 582	2.5%	31%
<b>Total liabilities</b>	<b>118 273</b>	<b>100.0%</b>	<b>105 239</b>	<b>100.0%</b>	<b>12%</b>
Total equity	6 614		5 404		22%
<b>Total liabilities and equity</b>	<b>124 888</b>		<b>110 643</b>		<b>13%</b>

(\*) including tax liabilities

The value of customer deposits of the Bank reached PLN107,506mn as on 31 December 2023 and was higher by PLN259mn than the balance for the Group (mainly effect of intra-group elimination). Deposits, similar to the Group's case, grew by 9% y/y.



Debt securities issued by the Bank amounted to PLN3,028mn as on 31 December 2023 and were lower compared to the corresponding item of Group's liabilities. The difference resulted from the issue of CLNs by the Bank's subsidiary Millennium Leasing, which was explained above in the part related to Group's liabilities.

The values and annual changes of other key items of non-consolidated Bank's liabilities are similar to those of their equivalents in the consolidated reports for the Group, as discussed above in this part of the report.

Bank's equity, as on 31 December 2023, amounted to PLN6,614mn and recorded an increase by 22% y/y.

### Contingent liabilities

The structure of contingent liabilities of the Group is presented in the table below:

<b>Group's Contingent Liabilities</b> (PLN million)	<b>31.12.2023</b>	<b>31.12.2022</b>	<b>Change y/y</b> (%)
<b>Total contingent liabilities</b>	<b>16 101</b>	<b>15 162</b>	<b>6%</b>
<b>1. Liabilities granted:</b>	<b>13 386</b>	<b>12 830</b>	<b>4%</b>
a) financial	11 709	10 783	9%
b) guarantees	1 676	2 048	-18%
<b>2. Liabilities received:</b>	<b>2 716</b>	<b>2 332</b>	<b>16%</b>
a) financial	0	7	-100%
b) guarantees	2 716	2 325	17%

Through these operations the Group executes transactions generating conditional liabilities. The main items under conditional liabilities (granted) are as follows: (i) financial liabilities mainly relative to loan prolongation (including, inter alia, not utilised credit card limits, not utilised overdraft facilities, not utilised tranches of investment loans) and (ii) guarantees, including mainly guarantees and letters of credit issued by the Group (to secure performance of obligations undertaken by Group's customers vis a vis third parties). Granted conditional liabilities result in Group's exposures to various risks, including credit risk. The Group creates provisions against irrevocable risk based conditional liabilities booked in the line item "Provisions" on the liability side of the balance sheet.

As on 31 December 2023, the total value of conditional liabilities of the Group amounted to PLN16,101mn, including liabilities granted by the Group at the level of PLN13,386mn. In 2023, the value of conditional financial liabilities granted by the Group increased by 4%, of which financial liabilities grew by 9%, whereas guarantees fell by 18%.

More information on the issue of conditional liabilities can be found in Chapter 12 of the Consolidated Annual Financial Statements of Bank Millennium S.A. Capital Group for the period of 12 months ending on 31 December 2023.

## 9. PRESENTATION OF BUSINESS ACTIVITY

### 9.1. INNOVATION AND HIGHEST QUALITY OF POSITIVE CUSTOMER EXPERIENCE

**Bank Millennium continues to pursue its strategy of adapting to customer needs both the format and functionalities of branches as well as remote services.** In 2023, the Bank continued to increase the availability of services in remote channels, in terms of communication and transaction processing capabilities. The Bank focused on strengthening customer self-service possibilities, while providing support to its employees.

**Organisational changes in the branches, as well as support from quality management units, help advisors exchange information and share experiences.** Employees have the space to develop solutions that support service at the branch. They pay a lot of attention to educating customers and encouraging them to use remote channels. It is education that is fundamental in the process of convincing customers to use new technologies and tools facilitating safe and convenient banking. Advisors focus on changing customers' habits and switching from cash to non-cash service.

**Effectively and in line with customer needs, the Bank combines modern ways of banking** via mobile application or transaction system with constant access to qualified branch and telephone advisors - across all business lines. The dynamic development of remote advisor services has increased convenience in accessing the bank's services and products.

**Bank Millennium strives to ensure that the customer's transition to the world of electronic service brings a positive experience.** We pay attention to the risks that users may encounter in the digital world. We make sure that both customers and employees are well prepared for the new challenges behind digitization. Bank Millennium executes projects focused on the customer perspective in the area of security.

**Bank Millennium constantly monitors the quality of service and conducts qualitative and quantitative surveys that provide information for work on improving the solutions provided to customers.** In 2023, we conducted 4 regular rounds (waves) of Mystery Shopper surveys - for both own and franchise networks. We verified the behaviour of employees according to certain standards, sales ethics, compliance with regulations and transparency of information provided to customers. In addition to the regular waves, we conducted random audits, covering 20% of the sales network. In total, we completed 2,694 audits in 2023. We use the knowledge gained to further improve the quality of customer service in the branch network.

We conducted 40 qualitative and quantitative surveys in the areas of retail, affluent, SOHO (microbusiness) and corporate customers. The conclusions from the research are the basis for designing the Bank's products and services at each stage of the work. In working on solutions, in addition to the voice of the customer, we also analyse the opinions of our employees.

**The undertaken measures secure the needs of different segments of our customers.** We focus not only on the possibility of choosing a contact channel. We work to ensure that each group of customers, who have different needs and expectations, is properly taken care of. We tailor language and delivery to age, level of financial literacy and experience in using the latest technology. Employees and designed solutions help customers bank comfortably and use various services at a time and pace that suits them. We are working to maintain the synergy between the digital message and the traditional form of customer contact with the Bank. The Bank introduces facilitations for people with disabilities to access services.

**Bank Millennium continues to work on simplifying the language of communication and the content of documents.** We are redesigning the texts communicated to customers from account opening to information on handling their products. We are successively transferring experience from the retail customer area to the corporate banking area. We continue training and introduce the principles of plain language into more types of texts - internal and external.

**Building processes and solutions based on the customer perspective translates into customer satisfaction and a positive banking experience.** According to the results of an internal satisfaction

survey, 93% of retail customers were satisfied with their cooperation with Bank Millennium. The level of recommendations among retail customers is at a stable level - the NPS index in 2023 was 50 (unchanged since 2022). Satisfaction and loyalty of corporate customers has decreased slightly - NPS was 40 compared to 45 in 2022.

**The Bank's quality activities have been recognised in the most prestigious rankings of service quality.** Bank Millennium took first place in both categories of Newsweek's Friendly Bank ranking: traditional banking and the remote modules. Also first place was awarded to the Bank in the Golden Bank ranking in the category of best customer service quality. In Forbes magazine's Company Friendly Bank ranking, Bank Millennium won the second place.

## 9.2. RETAIL BANKING

### Current Accounts

Number of active clients has reached 3 million with growth of active clients of 115.5 thousand in 2023 alone.

Sales of current accounts in 2023 amounted to almost 395 thousand. The key acquisition product was flagship *Millennium 360°* account. The number of accounts in the Bank's portfolio exceeded 3.47 million, with almost 15% share of *Millennium 360°* account. After 3Q23, the Bank achieved a market share measured by the number of accounts at the level of 9.0% (according to the Puls Biznesu report).

The promotion and acquisition of *Millennium 360°* accounts in 2023 was supported by:

- advertising campaigns on television and the Internet;
- activities using the goodie shopping application and in cooperation with external web portals - nearly 37% of *Millennium 360°* accounts were opened online;
- new edition of the "Like it? Share it!" recommendation program.

### Saving and Investment Products

Year 2023 was a period of high market interest rates and record high growth of retail deposits. In 2023 retail deposits in whole banking sector grew by almost PLN117bn. , of which current and saving deposits increased by PLN55.5bn, with PLN61.4bn growth of term deposits.

Given the market environment, the Bank focused on enhancing deposit offer both in saving accounts and in time deposits with support of many marketing campaigns.

New volumes were acquired mainly on *Profit saving account* but also on new money time deposits. Parallely to increased deposit acquisition we have improved retention offers both in digital channels and branches.

Total retail deposits in Bank Millennium in 2023 increased by PLN8.2bn to the level of PLN81.5bn (individual clients and microbusiness) and market share at the end of December 2023 was 6.75%.

In terms of investment products year 2023, especially 1H23, was time very positive sentiment on global capital markets. Especially debt investment funds attracted substantial volumes and showed yields competitive to deposit rates.

The Bank continued its strategy to offer diversified portfolio of investment products including both own solutions and products offered by external partners. Depending on client segment the offer included structured products, mutual funds and bonds.

The Bank continued activities promoting regular investments especially through investment advisory service based on selected and adjusted Millennium TFI funds (mutual funds) which in easy and convenient way enables customers entrance to investment products even of small amounts. During 2023 around 15 thousand new customers decided to invest through advisory service.

In order to make the offer more attractive, during the year the Bank launched cyclical promotions of funds with regards to the fee for their purchase. A special strategy was also continued to reward the

use of remote channels by reducing to 0% the handling fee rates for purchase of selected TFI funds through Millenet and Mobile Application.

### Cash Loans

In the field of cash loan sales, the Bank may consider 2023 to be a very successful year. Compared to the previous year 2022, sales of loans for any purpose to individual customers increased by over 14% and amounted to over PLN6.3bn. At the same time, the market increased by 13.5%. This allowed the Bank to gain the market share of 10.5% in loan sales and 9.27% in the loan balances. Remotely initiated sales in the telephone channel increased by almost 34%. The Bank's franchise partners also recorded 24% increase in sales. Both good results were delivered based on the offer which is increasingly better suited to the needs of the Bank's current customers and that the processes of remote customer service. On the other hand, the Bank actively acquired new customers. An important source of sales for new loans was also the developing cross-sell to customers acquired through installment loans. The Bank also places great emphasis on the development and improvement of electronic channels, in particular the mobile application. Already over 71% of loan sales ended in digital channels, which was an increase of another 5 percentage points compared to 2022. The Bank also conducted an active pricing policy, providing customers with attractive promotions and special offers throughout the year.

### Overdrafts

Despite a slight market loss in the sale of account limits (10.4%, a decrease compared to 2022 by 0.6pp), the Bank increased its market share in the credited balances to 13.3% (+0.3pp). This means that customers are more willing to use the credit limit offered by the Bank.

### Insurance products (bancassurance)

In 2023, the Bank established a strategic insurance cooperation with the Europa Insurance Group, providing for long-term cooperation in the field of bancassurance development in relation to specific insurance related to credit products offered by Bank Millennium. This is part of the implementation of Bank Millennium's strategy for 2022-2024, which includes, among others a development of the bancassurance offer for retail clients. Operational cooperation was launched in the third quarter of 2023, resulting in positive changes in the offer for customers.

### Payment Cards

In 2023, there was another significant increase in the payment cards portfolio, both in terms of the number of cards issued and transaction volume.

At the end of 2023, the Bank's debit card portfolio amounted to 3.4 million cards and increased by 132 000 cards (+4.0% y/y). At the same time, spending made with debit cards has increased by over 9% y/y, reaching PLN74 billion.

The credit card portfolio increased to 494 thousands cards and increased by 9 thousand cards (+1.8% y/y). This allowed Bank Millennium's market share to increase to 10.03%. The market share in card sales amounted to 12.7% on average. Thanks to intensive portfolio activities, spending on credit cards increased by 14% y/y, and Bank Millennium's market share in this respect increased to 10.3%.

The results on the cards were supported by new product solutions. For all types of cards offered to individual customers and SOHO segment customers, the option of paying by phone using Google Pay is now available. Debit card holders also gained the ability to make cash deposits in external Euronet and ITCARD networks. Additionally, more favourable rules for converting foreign transactions using exchange rates of payment organizations are available for all debit cards.

### Mortgages

In 2023 a gradual increase in customer interest in mortgage loans was observed on the market. The Bank concluded over 14.5 thousand new contracts with a total value of over PLN5 billion (a decrease by almost 11% y/y) and took 5th place on the market with a market share of almost 8.2%. On the market there was a strong acceleration in the second half of the year and an increase in sales both in relation to 1H23 (an increase of 71%) and compared to 2H22 (an increase of 120%).

The Bank implemented a number of projects, including regulatory ones, as well as further improvements in the process of granting and servicing loans i.a.:

- convenient, remote process of disbursement of tranches for a dedicated group of mortgage loans, thanks to which customers can order the payment of the next tranche of the loan on the Millenet website and in the mobile application
- automatic annex to change the interest rate from variable to periodically fixed, which allows customers to change the loan interest rate during one visit to the bank
- processing customers identifying themselves with a new electronic identity document - mDowód
- new insurance to mortgage/ home equity loan: „Nieruchomości pod ochroną” and „Życie pod ochroną” in cooperation with TU Europa S.A. / TUnŻ Europa S.A.

The Bank's lending campaign, similarly to last year, was based on the offer of unconditional 0% commission for granting a loan and 0% commission for early and full repayment of the loan.

The Bank continued its activities to further reduce the CHF loan portfolio, offering customers individual conditions that favor currency conversion and partial and full repayment of these loans.

### **Prestige and Private Banking segment - offer for an affluent clients**

*Prestige* is an offer addressed to customers with min. PLN200 thousands assets or PLN15 thousands monthly inflow. In 2023, the Bank continued its strategy of serving affluent customers via remote channels. Both traditional and remote service models offer access to an individual expert, supporting clients in daily banking and important financial decisions with parallel digitalization process.

The condition for entering the Private segment is PLN1 million worth of assets. In the Private segment, the number of clients at the end of December 2023 was stable at the level of 4.5 thousands.

At the end of 2023, the Bank was covering almost 113 thousands clients under the affluent service model.

### **Biznes Client segment**

Business offer is addressed to individuals running sole proprietorship businesses, partnerships and commercial law companies with annual revenues up to PLN5 million.

In 2023, over 37 thousands business accounts were opened, as a result of the following initiatives:

- new functionality of company registration in CEIDG along with business account opening in bank's electronic banking and mobile application
- functioning of special offers for customers opening accounts online and new *Biznes* customers
- introducing acquisition campaigns based on activities on the client's account, which indicate the possibility of running a business;

In 2023, 68% of business accounts were opened in digital channels.

The Bank offers a broad range of transaction banking and credit products to business clients, in particular an attractive leasing offer as well as modern internet and mobile banking services.

In the second quarter of 2023, we made it available to choose value-added services during the process of opening business accounts in branches and digital channels.

In the third quarter of 2023, Bank Millennium introduced *Millennium Accounting* to its offer. The service allows to conduct accounting by a professional accountant or independently using a convenient digital platform integrated with transaction banking.

The value of loans granted in 2023 for the business segment customers increased by 55% compared to 2022 and reached the level of PLN 992 million as result of:

- further increase in the use of *de minimis* guarantees. In 2023 92% of loans were covered by *de minimis* guarantee from Bank Gospodarstwa Krajowego.
- launching the process of selling cash loans with *de minimis* guarantee in digital, in which customers apply and sign loans agreements in pre-approved model.
- launching the process of selling top-up cash loans in digital, in which customers apply and sign loan increases agreements in pre-approved model

In 2023 over 50% of all credits agreements were signed in *Millenet* or *Mobile*.

### Mobile and online banking

For several years now, Bank Millennium has been consistently pursuing a mobile-first approach, which puts mobile banking at the heart of our efforts. We appreciate the value of the online platform, but the smartphone is the primary tool used by users today. However, the mobile app has long been more than just a tool, but in the perception of customers it is synonymous with a bank. In 2023, individual and business customers logged into the app a total of almost 900 million times. The most active users log in several or even more than a dozen times a day.

Users appreciate solutions that are intuitive, friendly and work seamlessly. They use their banking app every day as they shop, travel, pay for entertainment and spend time with loved ones. We want to be where our customers are, which is why we are developing daily banking services, value-added services and solutions that combine banking and e-commerce.

In 2023, we were improving the solutions our customers already use and worked on completely new options that guarantee access to convenient banking every day. Our goal was to work on quality - to continue to create a modern, seamlessly functioning application. In line with our strategy, we also continued our extensive digitalisation activities.

The year 2023 was exceptional in terms of awards for our digital channels. Digital banking and especially the mobile app were recognised in rankings such as: Golden Banker, Newsweek's Friendly Bank, Institution of the Year and Mobile Trends Awards. In addition, the Bank was recognised abroad - it was awarded the title of Best Digital Bank in Poland in 2023 by Global Finance magazine, as well as 12 other titles in subcategories related to digital banking for individual, corporate and business customers (including for the mobile app, UX design or security and fraud management). It was also awarded for the best digital solutions in Poland in the Awards For Excellence by Euromoney magazine.

**DIGITALISATION.** Our strategic goal was to reach 90% of active customers in digital channels by the end of 2024. We ended 2023 with just such a result, which means that we achieved the strategic goal one year early. In order to achieve digitalisation success, we are taking action in various areas and e-banking channels work closely with traditional channels. We know that many customers establish their relationship with the bank stationary, so the branch must be the place where they learn about online and mobile banking. The role of bank branch employees is therefore crucial, so they are properly supported in this process during regular meetings and webinars.

For Bank Millennium, it is essential not only to digitise new users, but also to activate those less involved in digital banking. We apply a personalised approach to digitalisation. Once access to digital channels has been activated, we introduce the customer with the opportunities the channels offer, educate them in the area of cyber security and support them in sales processes, for example with contextual chat. This digitalisation path is not identical for every customer, but we customise it based on the user's activity and preference analysis, and communications are sent to the customer in real time.

**USER EXPERIENCE DESIGN AND PERSONALISATION.** Today, the primary differentiator in the market is the customer experience, which is why we develop the app and *Millenet* together with our users. We listen to our customers, analyse their feedback, conduct research and testing in the UX Lab, and simplify communication according to the plain language standard. In this way, we combine convenience, security and reliability in our processes.

In 2023, we used the Design System for the first time. In future, it will allow us to introduce a dark mode and give the possibility of adjusting font sizes, which will significantly increase the accessibility of applications for users with special needs. In addition, basing interfaces on the Design System will maintain consistency and significantly reduce the cost of producing them by reusing components. The



Design System was first used at the Bank to create a new app for companies. Shortly thereafter, we also started to implement it in systems for individual customers and we already have the first processes based on it.

When creating new solutions, we have long focused on personalisation. However, our goal now is hyper-personalisation, which is not just about adjusting content to customers, but sending them a message at the best time for them. The hyper-personalisation project related to the customer pathway is already underway and will be key for digital channels in 2024.

**DAILY BANKING.** In 2023, we provided a new transaction search engine, the so-called *One search*. It allows users to precisely define the search criteria and filters. This makes it even easier to find a transaction, even if the customer does not remember which card or account it was ordered from. The search engine also analyses transactions on accounts at other banks aggregated under open banking. The option can already be used in *Millenet* and is gradually being made available to customers in the mobile app.

**VIRTUAL WALLETS.** In mid-2023, we provided customers with the option to add their card to Google Wallet (GPay). This option complemented the wide range of solutions already available at Bank Millennium: BLIK contactless payments (BLIK C), Apple Pay, Garmin Pay, Fitbit Pay and card tokenisation directly in the banking app using HCE technology. We have also made BLIK contactless payments available to new customer groups, including micro-entrepreneurs and the youngest app users. In total, almost 700,000 of the bank's customers are already using payments with their phone, watch or wristband.

**BLIK PAYMENTS.** For another year, we recorded steady increases in the number of BLIK payments and P2P transfers. In 2H 2023, almost 1.9 million of the bank's customers used at least one of the BLIK services, and phone transfers are already used by one million people per month. In spring 2023, we introduced a new service that works with P2P transfers - transfer request and bill splitting, which make it easier to settle joint expenses between friends and family. Bank Millennium introduced these services as the fourth bank in the market.

**BNPL AND E-COMMERCE.** In 2023, together with the Polish Payments Standard (PSP), the bank worked intensively on the introduction of deferred payments (BNPL - buy now, pay later). The BLIK Pay Later service is based on the same scheme as the BLIK code payment - the transaction is equally fast and intuitive. Thanks to this, the new solution is likely to dominate the deferred payment market in Poland. In Q4 of the year, we closed the technical pilot. The service will be made widely available in 2024. Deferred payments are another step towards combining banking services with the rapidly growing area of online commerce. Another solution that promotes online shopping is the cashback programme. The service is based on goodie cashback, but has been available directly in the Bank's app for over a year now.

**ATMS AND CASH DEPOSIT MACHINES.** The Bank's 2023 customers have gained access to more than 5,000 cash deposit machines available in the Euronet and Planet Cash networks across Poland. Deposited cash is credited to the account in real time.

**BUILDING A COMMUNITY OF ACTIVE AND LOYAL CUSTOMERS.** In 2023 we introduced another edition of the "Like it? Share it" programme - customers gained new possibilities and an easy way to check the progress of the steps needed to get a reward for recommending a Millennium 360° account. We introduced a new salary transfer form in *Millenet* and the mobile app, thanks to which the customer can transparently and intuitively order a salary transfer from an employer to an account with our Bank. Both of these initiatives supported the achievement of the result of 3 million active customers, which was one of the Bank's strategic objectives.

In 2024, we are planning further options in the Friends&Family area to build a community of loyal customers who will want to recommend the bank and the app to their loved ones - children, parents, friends. We want the options available in the app (such as requesting a BLIK transfer) to help them in everyday situations and make it easier to spend time together and build relationships. We will take a special interest in customers from generation Z, who are already proving how much the perception of finances, life priorities, but also the way we communicate, is changing.

## Product offer and sales in digital channels

Electronic channels are today the primary point of access to banking products. Customers expect to get many things done in a few minutes, without a visit to a bank branch or additional formalities, and without paper documents.

**ACCOUNTS.** On the mobile app, new customers can open an account using a selfie. On the Bank's website, on the other hand, we offer a process with a login to another bank that works with open banking solutions. In addition, we offer customers to set up an account when applying for a cash loan via the bank's website. The Bank's customers can also open new accounts by logging in the mobile app and *Millenet*. The share of digital channels in account acquisition was 40%. The share of digital channels in children's account sales in 2023 was more than 48%. In 2023, the Bank was recognised in the Institution of the Year ranking in the category "Best remote account opening process". The account opening process via selfie was ranked highest in Newsweek's Friendly Bank ranking.

**CREDIT PRODUCTS.** In 2023, we built a new credit card application process, for which the benchmark was the well-rated cash loan application. Both processes are built omni-channel - so the customer can start the process with a consultant and complete it online. And if they start the process in the digital channel, they can easily get support from a bank employee in case of difficulties. In 2023, we expanded the loan process for new customers, which is accessible from the website and uses open banking for identity confirmation and credit checks. The share of digital channels in cash loan sales (by volume) was 81%.

**MORTGAGE LOANS.** We are also developing the range of options available online for mortgage loans. In 2023, some customers could already order a loan disbursement in mobile and online banking. Until now, this service was only available at the bank's own branches.

**DEPOSITS.** Customers can easily manage their savings in digital channels. In 2023, they were able to benefit from higher interest rates on the savings account for online active customers and a personalised term deposit offer. The Bank also promoted regular savings using the standing order functionality. Digital channels accounted for 96% of term deposit sales in 2023.

**INVESTMENT PRODUCTS.** The Bank's clients can invest their money with our support thanks to the robo-advisory service. In 2023, they gained additional possibilities to manage their investment objectives (including changing the name, value and investment horizon). The share of digital channels in the sale of investment products is growing quarter by quarter. In 4Q 2023, it was as high as 90%.

## Value-added services

The Bank's strategic objective is to deepen its relationship with its customers, so the electronic channels, above all the mobile app, must have a specific set of functions that help meet the needs of users, while being innovative and distinctive in the market.

**VAS.** Throughout the year, the Bank promoted value-added services in the app such as the purchase of top-up codes for online services and gift cards, insurance or public transport tickets. In 2023, Bank Millennium was the first in the sector to use the so-called dynamic island option available on the latest Apple phones. It allows customers to more quickly see and track up-to-the-minute information on public transport and parking tickets purchased on the bank's app.

**PUBLIC E-SERVICES.** Bank Millennium continued to develop options related to government services, including Millennium ID (based on mojID solution), applications for family benefits (500+, 300+, nursery subsidy, Family Care Capital). Solutions have been prepared for handling the new 800+ and disability benefit applications. In 2023, banking systems were integrated with the mObywatel application - customers can confirm their identity by logging into the bank. Digital documents issued in this application are accepted in branches.

## Cybersecurity

The number of digital banking services is growing all the time, so the Bank is constantly improving the security of e-channels activation and ensuring a high level of protection against current fraud schemes. In addition, insecurity is one of the key barriers to using online channels and is of paramount importance in the context of digitalisation. The Bank not only educates customers on the principles of cyber security in regular campaigns and on the website, but also provides safeguards and tools that

allow users to take care of security in everyday situations. In 2023, the mobile app was enhanced with additional functionalities that increase the level of security during activation, when calling a bank employee and when using banking services.

**MOBILE VERIFICATION DURING A PHONECALL.** In 4Q 2023, we introduced double identity verification during outbound and inbound contact-centre calls. Both the customer and the bank employee can easily confirm their identity in the mobile app. The solution is based on mobile authorisation and helps protect against social engineering attacks - when a criminal impersonates a bank employee.

**PAYMENT AUTHORIZATION.** We are expanding the use of biometrics to authorise transactions ordered in the mobile app. In 2023, we additionally enabled authorisation by PIN instead of Password 1/Mobile Password. We also introduced a mechanism that allows online card transactions to be authorised using 3-D Secure when banking systems are unavailable.

**SECURITY SETTINGS.** In the first half of 2023, we enabled customers to retrieve their PIN for the app themselves in mobile banking. We added the ability to change the main daily transaction limit in the app - previously, the user could only change it in online banking.

**CHANGES ON LOGIN PAGE.** We migrated the domain of the Millenet login page. The changes were the culmination of a project aimed at a technological refresh of the online banking login and improvements transparent for the customer.

### Digital banking for business clients

Developing an offer for self-employed customers is one of the important elements of the e-channels development strategy. The bank's comprehensive online offering and additional tools for running a business are the answer to the needs of this group at every stage of building a competitive business. We are building processes in which digital channels have a dominant role in serving this customer segment, but are supported by remote advisers.

**NEW BUSINESS REGISTERING AND ACCOUNT.** Bank Millennium is developing the process, made available at the end of 2022, by which a customer can set up a business and a company account. The application has been expanded in 2023 to include value-added services that a new micro-entrepreneur can use (e.g. payment terminal, accounting). Customers who already have a business and want to set up a business account - can also do so via our electronic channels, without having to visit a branch. We provide processes for both Bank customers and new customers.

**DEVELOPING THE BUSINESS.** We are expanding the credit offer available to businesses online. Currently, business customers can benefit in digital channels from two forms of support:

- a quick cash loan with a payout even in a few minutes after signing online;
- a loan with a *de minimis* guarantee - the customer fills in an online application, receives a credit decision in a few minutes and the finalisation of the agreement at the Bank's branch is just a formality.

**MILLENNIUM ACCOUNTING.** In 2H 2023, together with our partner CashDirector SA, we introduced a powerful tool that supports small business owners with accounting and cost control. The customer logs into the platform in the same way as to their business bank account in *Millenet*.

### Individual and business customer activity in electronic channels

	2023	2022	change
Active digital users	2 701 645	2 519 181	+7%
Active mobile users	2 473 365	2 240 077	+10%
BLIK payments users	2 029 052	1 675 000	+19%

### 9.3. CORPORATE BANKING

As part of Corporate Banking, we professionally and comprehensively provide services to companies with annual sales revenues exceeding PLN 5 million as well as public sector institutions and entities.

Our objective is to assure the highest quality of service and the shortest time for our reaction. Therefore we are consistently automating our internal processes relating to customer service. At the same time we support our clients in implementation of projects reducing the environmental impact of their businesses, by financing projects connected with renewable energy, innovations reducing the demand for energy and natural resources and more effective waste management.

We provide each client with the care of a permanent team of experts Relationship Managers, who are the first line of contact with the client, are supported by product specialists in: transactional banking, treasury products, trade finance products and leasing as well as FX dealers. In operational issues clients are supported by specialists in transactional systems and consultants. The team working with the clients is augmented by experts in funding mergers and acquisitions as well as experts in EU funds.

The high quality of service is confirmed by the results of the annual survey of corporate banking customer satisfaction. According to a survey conducted in 2023, as many as 95% of clients are satisfied with cooperation with the Relationship Managers (NPS 72), 99% with cooperation with Consultants, 92% declare satisfaction with the electronic banking system.

#### CORPORATE BANKING PERFORMANCE

In view of the bank's capital constraints related to the costs of FX mortgage loans and credit holidays, we were optimising the cost of capital allocated to the corporate banking loan portfolio. We achieved this by reducing the loan volume by PLN 2.5 billion to PLN 13.4 billion at the end of 2023, focusing on SME customers and making high use of BGK's guarantees.

In 2023, corporate deposits increased by 5% y/y, while maintaining a balanced structure of current accounts and term deposits. There was an increase in the scale of customer settlements despite the decrease in lending. In 2023, the volume of treasury foreign exchange transactions increased by 21% y/y, the number of foreign transfers by 16%, and the number of domestic transfers by 1%.

#### COMPREHENSIVE PRODUCT OFFERING

We create flexible financial solutions tailored to the nature of a specific company's activity. We support them with modern digital solutions conducive to automation and optimisation of the work of financial departments of companies, including minimising operational activities related to cooperation with the bank.

##### Flexible financing

With our products, we support environmentally friendly solutions, energy transformation, innovation development and at the same time respond to rising electricity prices. We have expanded our offer, which includes loans to finance investments that increase the energy efficiency of enterprises, i.a. for the construction of a photovoltaic installation or farm, with new products.

For companies that plan to implement innovative technologies allowing them to start the production of new goods or provide services, we have introduced a Technology Loan under the European Funds for Modern Economy Operational Programme (FENG) for 2021-2027.

Companies could apply for the FENG Technology Loan 2021-2027, which allows them to obtain funding granted by Bank Gospodarstwa Krajowego from the end of March in accordance with the FENG call

schedule for 2021-2027. Co-financing in the form of a non-returnable technological bonus reaches as much as 70% of eligible costs of a project consisting in the implementation of a new technology, understood as any significant and beneficial change in the process that was not previously used in the enterprise and which at the same time improves the features of the manufactured product or service provided. The application submission deadline fell on 31 May 2023.

For clients looking for financing for green projects, we have provided an Ecological Loan. It can finance projects to increase energy efficiency, energy saving including thermal modernisation of buildings, change from energy sources used to more ecological ones and replacement of equipment, installations or technological lines with more energy-efficient ones.

The Ecological Loan is a competition financed under the FENG Operational Programme for 2021-2027. Entrepreneurs from the micro, small and medium-size enterprise sector (employing up to 250 employees) and entrepreneurs from the category of small mid-cap companies (employing no more than 499 employees) and mid-caps (employing no more than 3000 employees) can apply for support under the competition.

The Ecological Loan is a new form of green project financing, with support for companies in the form of a non-returnable ecological bonus, covering up to 80% of eligible project costs. The call for applications in this round ended on August 17, 2023.

### **Bank Gospodarstwa Krajowego guarantee programmes**

We continue to participate in customer support programmes with the use of public aid. Our offer still included financing in the form of: loans, lines for guarantees and letters of credit and reverse factoring, secured by guarantees of Bank Gospodarstwa Krajowego (BGK). Clients could get:

- Biznesmax Guarantees available to micro, small and medium-sized enterprises under two types of state aid: regional aid or de minimis aid,
- De minimis Guarantees dedicated to entrepreneurs from the SME segment,
- A crisis guarantee addressed to medium and large enterprises - used to secure loans and reverse factoring.

We continued the guarantee programmes carried out in cooperation with BGK under the so-called "COVID conditions" until 31 December 2023:

- Biznesmax guarantees - free guarantees supporting the investment and liquidity needs of companies, which allowed you to obtain a subsidy for credit interest. The guarantees could cover revolving loans (also overdrafts) and non-revolving loans not related to a project, granted to ensure financial liquidity. In addition to innovative entities, the guarantees could also be used by ecologically efficient companies that were implementing ecological solutions.
- In the case of the de minimis guarantee scheme, the lack of commission for the first year of using the guarantee, the 80% level of protection and the extended guarantee period to 75 months for a working capital loan and up to 120 months for an investment loan and an increased guarantee amount from PLN 3.5 million to the equivalent of EUR 1.5 million were maintained.

In connection with the changes in the state aid regulations that came into force in January 2024, we ended (at the end of December 2023) the Biznesmax guarantee and crisis guarantee programmes.

In December 2023, we signed agreements with BGK, which will allow new guarantee programmes to be offered. Apart from the de minimis guarantee, which will function under changed terms and conditions, we have started cooperating with BGK on guarantees offered from funds of the FENG programme.

As a result, the bank's customers will be able to use free Biznesmax Plus guarantees as collateral for up to 80% of the loan amount, financing innovative, eco-innovative investments, digital transformation of the enterprise or innovative activities. A significant benefit for customers will be



the possibility to apply for interest subsidies in the amount of 5% of the loan amount per year, for a period of 24 months, in the case of working capital loans, or a subsidy of 20% of the loan principal, in the case of an investment aimed at the digital transformation of enterprises, or 10%, in the case of an innovative investment, identified at least at the level of the company, or the implementation of an eco-innovative investment.

The Biznesmax Plus guarantee offer will be available to entrepreneurs from the SME sector or small mid-caps or mid-caps. Subsidy preferences will only be available to companies in the SME segment.

The new agreement with BGK also includes Ecomax guarantees, which may secure up to 80% of the investment loan amount for the financing of energy efficiency projects involving the thermal modernisation of buildings or a reduction of primary energy consumption by at least 30%. The offer will be available to SMEs or small mid-caps or mid-caps. At the same time, only companies from the SME segment will be able to benefit from subsidies of the loan principal amount at 20%.

Also in December, we signed an agreement with the Export Credit Insurance Corporation (KUKE) for guarantees for loans and factoring transactions supporting the development of exports in enterprises. The agreement allows KUKE to guarantee the repayment of up to 80 percent of the value of loans granted to exporters for their investments in Poland.

### **Factoring and trade finance**

In the area of factoring, we have implemented solutions to streamline processes and improve the attractiveness of reverse factoring.

We have also introduced the possibility of applying for an additional factoring limit together with the loan, thanks to which we maintain an optimum financing structure.

In the case of letters of credit and guarantees, we have introduced the possibility of, for example, settling the payment of an import letter of credit with funds from reverse factoring, and we have introduced functionalities in the transaction system that accelerate the process of preparing the content of the guarantee and digitalise documents related to the transaction.

### **Transactional and electronic banking**

We are consistently developing and introducing improvements so that clients can manage their company's finances even more efficiently and conveniently. In 2023 we carried out further implementations in electronic banking and expanded the availability of available CDMs.

### **New mobile app**

We have provided business and corporate customers with a new mobile application Bank Millennium for Companies. We designed it completely from scratch following the best practices. Its development was preceded by research and tests with users, which allowed us to understand the needs and difference in using app by large and smaller companies and their managements. The app was built entirely by the bank's teams. As part of the project, for the first time, we implemented the Design System, which allowed us to maintain visual consistency and significantly accelerate the design and development of the application. For the first time, we've also used a single programming code for Android and iOS (Flutter), which helps keep the app consistent across both platforms and give customers the best possible UX. We have created a friendly app, unique in terms of quality, focused on user convenience, with great personalisation capacity.

You can log in to the new business app biometrically. It is ready to handle large amounts of data and is aimed at both small business owners and large corporations with extensive financial departments. In the application, you can manage multiple accounts at the same time, in one panel. Customers can



also support multiple businesses in the app without having to log in again. Payment management is simple, users can authorise payments quickly and securely.

The application offers many useful functions, e.g. informing about many events on the account, repetition of transfers from the level of transaction history, execution of foreign transfers, view of the full history of orders with details, easy generation of confirmations and statements, flexible granting of authorisations, verification of counterparties on the so-called "white list" of VAT taxpayers.

The mobile application also includes the Millennium Forex Trader currency exchange service, thanks to which you can conveniently and quickly exchange currencies, check the current quote rates, set selected currency pairs on the screen, check the exchange history.

Users can personalise the screen as needed and decide how the page looks after launching the app, have the ability to move and hide elements, add quick shortcuts, they can also set-up the dark mode. The application offers context-sensitive help - the system suggests possible usage scenarios e.g. in terms of parameterisation of the home screen view or ways of selecting payments for authorisation.

By the end of 2023, we had closed the app with the old technology and doubled the number of enterprise customers using the new app.

At the end of 2023, Bank Millennium for Business was the best-rated application in Poland among banks' mobile apps for large enterprises. The application was also in the finals of two competitions:

- Informa Banking Tech Awards in the category of Best Use of Technology in Corporate Banking,
- Fintech Awards organised by Fintek.

### **Changes in Millenet for Companies**

We made further functionalities available in the process of digital handling of document exchange between the client and the bank. Thus in Millenet for Companies internet banking documents are verified automatically and processed fully electronically without the need for printouts, which significantly reduces service time and the carbon footprint.

### **New type of mObywatel Document identity document (mID)**

Adapting to regulatory requirements, from 1 September 2023 we have introduced the possibility of confirming the customer's identity on the basis of mID. The electronic mID allows you to confirm your identity without the need for the customer to present other identity documents.

### **Expansion of the network of CDMs with Euronet and Planet Cash machines**

We have expanded the map of available CDMs for corporate clients. Clients can now deposit cash additionally in 5500 CDMs of the Euronet and Planet Cash networks in Poland. The service is available for all bank clients having debit payment or charge card. Euronet and Planet Cash machines are available in the most convenient locations, such as petrol stations, popular chains and shopping malls, branches of selected banks as well as other locations such as airports, railway and metro stations.

### **WE SUPPORT CLIENTS THROUGH EDUCATIONAL ACTIVITIES**

We inform our clients about important legal and tax changes affecting the conducting of business activity. On a weekly basis, we provide our clients with a summary and analysis of the most important macroeconomic information. We constantly educate on IT security and fraud risk, and provide information about available assistance programmes.

We provide information through the Inspiration Zone in the Millenet for Companies transaction system and, inter alia, in the form of webinars with the participation of internal and external experts, presentations by the Bank's experts during conferences and meetings of which we were partners.

### **Cooperation with CFO ICAN Institute**

We cooperate with the CFO Club of ICAN Institute in the long term. CFO Club is a development and networking initiative bringing together financial directors (CFOs) of companies operating in Poland. Company representatives can participate in webinars as well as presentations during in-person meetings. The CFO Club provides access to current knowledge, it is also a platform for exchanging experiences and networking. The topics discussed during the meetings are related to the most current challenges faced by financial directors and persons responsible for finances in a company. In 2023 the meetings dealt among others with: modern methods of financial management, data analytics and artificial intelligence, ESG, effective cooperation and communication.

### **Cooperation with Forbes Magazine - Forum of Family Businesses**

In the 6th edition of the Family Business Forum - a joint initiative of Forbes magazine and Bank Millennium, 9 meetings were held with entrepreneurs all over Poland. It is a cyclical annual event that brings together family businesses. We are the strategic partner of the Family Business Forum since 2018. During the series of meetings in 2023, a lot of time was devoted to the need to apply the principles of sustainable development and the importance of investments in this area, among others, taking into account financing under EU support.

## **MILLENNIUM LEASING**

Millennium Leasing sp. z o.o., a subsidiary company of Bank Millennium, was established in 1991 and is one of the longest operating leasing companies on the Polish market. Our activities cover financing of all fixed assets: motor cars and delivery vans, machines and equipment for most industries, heavy duty transport (including: road, rail, water and air transport), and real estate.

The total value of lease agreements launched by us in 2023 amounted to PLN 3.13 billion, i.e. 11.7% less than in 2022, which is the result of the capital management policy adopted by the Capital Group. As at 31 December 2023 the value of capital committed in active leasing agreements was 6.6 bn PLN.

For the first three quarters of 2023, the leasing market share was at 3.6%.

We have been actively developing our offer of "green" leasing products, which we launched in April 2023. This is another step in supporting companies in green change. This offer provides entrepreneurs with the opportunity to finance green assets comprehensively and on preferential terms. The offer covers a wide selection of assets from as many as 53 groups, among which the most important are machines and equipment. The offer combines the opportunity to take advantage of various programmes and promotions: lowering leasing instalments, a promotion that allows you to reduce the first 3 lease instalments, the MilleSun programme to finance items obtaining energy from renewable sources.

In 2023, we continued the implementation of the My Electric programme, which guarantees customers subsidies for leasing zero-emission vehicles. The aim of the programme is to reduce air pollutant emissions by reducing the consumption of emission-intensive fuels in transport. The subsidies depend on the type of vehicle and range from up to PLN 4,000 for motorcycles, scooters and quads to a maximum of PLN 70,000 for delivery vehicles up to 3.5 tons. The programme is to be implemented until mid-2026.

In January 2023 as the first company on the market we launched leasing with a BGK de minimis guarantee. The de minimis guarantee replaces the existing leasing product with a BGK guarantee, the sale of which ended in December 2022. Thanks to the guarantees entrepreneurs can take advantage

of financing on more attractive terms, i.a.: in terms of margin, financing amount, contract period and required collateral. Under the portfolio agreement signed with BGK, in 2023 we had a guarantee line in the amount raised to PLN 300 million.

In 2023, we launched a pilot Preferential Programme for financing green assets, including in particular:

- investments in energy-efficient machinery and equipment, allowing to reduce both the amount and the cost of electricity consumed per unit of product,
- low-emission means of transport, supporting the reduction of CO2 emissions in the transport of people and cargo,
- technologies for generation and storage of energy from renewable sources.

We actively promote the MilleFlota service among our customers, which allows for convenient, fast and cost-effective servicing of vehicles up to 3.5 t. As part of the programme, clients can buy parts and maintenance services without cash at attractive (and fixed throughout Poland) prices, also at Authorised Vehicle Service Stations, and can also receive a special fleet discount.

We also continued the process of service digitalisation, actively promoting electronic servicing of leasing contracts by way of eBOK service on the Millenet platform. At the end of 2023, more than 89% of customers used eBOK. We have expanded the service with the possibility of submitting applications, thanks to which customers can order online all standard matters related to contracts and leased items. At the end of 2023, more than 55% of such applications were already submitted electronically, using the eBOK platform. We are also implementing further functionalities and improvements, creating the digital customer service centre as a convenient platform for comprehensive operational cooperation with customers.

We are selling our lease services through lease advisers in 82 outlets throughout Poland. Moreover we are actively cooperating with banking advisers in retail branches and in the corporate banking network of Bank Millennium. As a result, we offer entrepreneurs a full range of financial services, including both leasing and banking products.

### **Brokerage activity in the Bank Millennium Group**

Until 29 July 2022, the brokerage activity in the Bank Millennium Group was conducted by Millennium Dom Maklerski S.A. According to the Division Plan adopted on 10 May 2022 and in accordance with the decisions of the Management Boards of Bank Millennium S.A. and Millennium Dom Maklerski S.A. of 31 March 2021, the process of dividing Millennium Dom Maklerski S.A. was initiated. On 29 March 2022, General Meeting of Millennium Dom Maklerski S.A. and on 30 March 2022 General Meeting of Bank Millennium approved the division of Millennium Dom Maklerski S.A.. The part of Millennium Dom Maklerski business regarding brokerage services, after registration by the registry court on 29 July 2022, was transferred to Bank Millennium and currently operates as an organizationally separated Bank unit under the name Biuro Maklerskie Banku Millennium S.A.

The entity, which remained after the division of Millennium Dom Maklerski and the transfer of brokerage activity to Bank Millennium, continues its activities under the name Millennium Consulting S.A. and provides analytical and advisory services both to external clients and companies from the Bank Millennium Group.

The main goal of the integration was to increase the quality and complexity of the brokerage services offer, as well as to improve its availability, mainly by using modern, remote distribution channels. For this purpose, the Bank's knowledge and experience will be used, especially in the field of digitization of financial services. Thanks to the integration, Bank Millennium Group will be able to offer customers financial services in banking and brokerage area, provided in one institution.

Currently, work is focused, among others, on providing brokerage services to Bank Millennium clients, including the possibility of concluding brokerage agreements electronically using channels and technology available at Bank and using consistent rules of customer evaluation, offering a new online

and mobile application, as well as integration of Biuro Maklerskie website with Bank Millennium web page.

Under the authorization granted by UKNF, Biuro Maklerskie provides following brokerage services: execution of buy or sell orders for financial instruments for the principal's account, buying and selling financial instruments for its own account, investment advisory services, offering financial instruments, providing services in the performance of concluded underwriting agreements or agreements of a similar nature, the storage or recording of financial instruments, including the maintenance of securities accounts, derivatives, collective accounts and cash accounts for serve them, preparing investment and financial analyses and other general recommendations for transactions related to financial instruments.

In 2023 Biuro Maklerskie generated PLN 2.4 billion turnover on the equity market, which accounted for 0.4% market share according to the Warsaw Stock Exchange's data. In the Individual Clients sector, it was 1.5% share. On 31 December 2023 Biuro Maklerskie had provided services to 24.1 thousand investment accounts and acted as a market maker and as an issuer's market maker for 6 companies listed on the Warsaw Stock Exchange.

In 2023, it also registered new shares for 2 companies listed on the Warsaw Stock Exchange.

### Custody Services

Bank Millennium provides custody services based on an individual permit of the Securities and Exchange Commission (currently the Polish Financial Supervision Authority). The Bank is a direct participant in depository and settlement systems such as the National Depository of Securities (kdpw\_stream), the NBP Register of Securities (RPW), Euroclear Bank SA/NV (Brussels) and Clearstream Banking Luxembourg (Luxembourg).

The clients of the Custody Department are domestic and foreign financial institutions (global custodian banks, depository banks, investment banks, asset management institutions, insurance companies, collective investment institutions, investment funds) and other legal entities actively participating in capital and money market operations, requiring comprehensive and individualised service as well as advanced ICT and infrastructure solutions.

In terms of the number of foreign and domestic clients entrusting us with their assets, the Bank occupies one of the leading positions in Poland. As at 31 December 2023, the value of assets on clients' securities accounts amounted to PLN55.35bn. At the same time, at the end of 2023, the Bank maintained 13,002 securities accounts, foreign financial instruments accounts and deposit accounts and acted as a Depository for 22 Investment Funds.

### International activity and external financing

With respect to financing obtained on the international market, last year the Bank continued its collaboration and management of transactions concluded with international financial institutions, in particular with the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD), which covered following agreements active during the year:

- agreement concluded with the EBRD in August 2018 on a medium term loan in the amount of PLN300 million, granted by the EBRD under the PolGEFF (Polish Green Energy Financing for Leasing) project. Millennium Leasing is the borrower under this agreement, on the basis of a guarantee issued by Bank Millennium. Loan proceeds are used by ML to finance leasing agreements connected with the purchase of machines and equipment contributing to the transformation of the Polish economy in the direction of the so-called 'green economy' including, in particular, in the area of energy and resource efficiency, renewable energy, water management and waste management. The loan was paid back in full in August 2023.
- agreement concluded with the EBRD in November 2017 (by the former Euro Bank) on a medium term loan in the amount of PLN40 million (with the option of expansion to 100 million PLN), granted by the EBRD under the PolGEFF (Polish Green Energy Financing for Leasing) project. Funds from the loan have been made available to the Bank's retail clients with the allocation for the implementation of purchases connected with the replacement or upgrading of the

standard of selected equipment or installation, whose purpose is to reduce the consumption of energy (electric power or heat energy) and/or water in the housing real estate owned by them. Last tranche of the loan was repaid in 1Q 2023).

The Bank also continued projects connected with the multiyear process of strengthening the base of credible counterparties and partners on the interbank market, including, in particular, in the segment of instruments involving medium and long-term liquidity management in FX. One of the important aspects of the activities in the area was managing the portfolio of agreements with domestic and foreign banks (including agreements of ISDA, GMRA and CDEA types) whose form requires regular adjustment to a changing regulatory environment and market standards. A considerable part of the activity was also connected with broadly defined compliance issues (including growing demands in the KYC/AML area and sanctions), as well as with continuation of work involved with the planned issue of debt instruments meeting the MREL criteria.

Irrespective of the above activities, in the past period the Bank performed, on an on-going basis, all other tasks connected with the overall carrying out of international operations, in areas of implementing various objectives including, inter alia, processing payments and settlements, current financing of own needs and those of Bank clients, trade finance services, participating in international money and FX market transactions, operating on the capital market. The achievement of these objectives was supported, to a large extent, by an over thirty-year long process of developing the Bank's cooperation with its foreign partners and counterparties. The Bank maintains ongoing contacts and relations with selected reputable correspondent banks and their units located in all countries of significance from the perspective of the structure of turnover of Polish foreign trade and non-trade transactions.

In parallel to medium-term financing obtained on the international market (including in the form of Senior Non-Preferred bonds issued in September 2023 under the EMTN program), in several recent years the bank has carried out senior debt issues denominated in PLN in the form of bonds placed among institutional investors on the domestic market (in 2014 at the nominal value of PLN500 million, in 2015 PLN300 million and in 2017 PLN300 million), and subordinated debt (PLN700 million in December 2017 and 830 million in January 2019).

## 9.4. SUBSIDIARIES' ACTIVITY

### Millennium Goodie

2023 was a continuation of record results of goodie cashback. The number of users actively using cashback increased by 65% y/y. Impressive and higher by almost 90% y/y is the number of new users starting purchases with cashback.

The turnover of the goodie cashback service exceeded PLN 2.5 billion, and since the beginning of the cashback service, more than PLN 51 million of cashback has been accrued. Undoubtedly, goodie cashback functionalities such as *Superoffers*, introduced in 3Q2022, with frequently changed brands with a temporarily increased return in specific brands, as well as various marketing and promotion activities, contributed to the results.

As part of the cashback in 2023, the "Refer & Earn" programme was introduced, thanks to which users can earn money by recommending goodie. Currently, the programme is available on the goodie website and in the app and is attractive primarily to regular goodie users, allowing them to become goodie cashback ambassadors.

Cooperation with Bank Millennium in the field of the Refunds for purchases service also achieves very good results - both the number of users and their daily activity are growing.

The service still maintains the PLN 20 promotion for a new user of Refunds for purchases who has a *Millennium 360* account, as well as *Superoffers* with attractive refund rates for purchases.

In November, cooperation with Onet Poczta was launched, under which the goodie cashback service was integrated with Onet mail box. This way Onet Poczta users can save using their e-mail box to move to goodie directly.



In December, a goodie plug for web browsers was implemented for users to be informed about cashback amount after entering internet shop websites. After a plug activation, cashback is credited to the user's account in goodie after the purchase is made - without the need to enter goodie.

In 4Q23, an online campaign was carried out on YouTube and TikTok Influencer campaigns also continued throughout the year.

In 4Q23, the goodie eCard with a multiple-top-up option was introduced. The virtual card is a response to market demand in the matter of bonuses, employee benefits or prizes in competitions and lotteries. The eCard with the possibility of topping up can be issued in the open unlimited version, or thematically limited, i.e. lunch eCard, fuel eCard and Sport and Culture eCard.

## Millennium Leasing

Millennium Leasing sp. z o.o., a subsidiary of Bank Millennium, was established in 1991 and is one of the longest operating leasing companies on the Polish market. Its activities cover the financing of all types of fixed assets: cars and vans, machinery and equipment for most industries, heavy transport (including: road, rail, water and air), as well as real estate.

The value of leasing agreements released by the Millennium Leasing in 2023 amounted to PLN3.13 billion in total, i.e. 11.7% less compared to 2022, which is the result of the capital management policy adopted in the Capital Group. As at 31 December 2023, the value of capital involved in active leasing agreements amounted to PLN6.6 billion, i.e. 5.2% below the level at the end of 2022.

For the first three quarters of 2023, the Company achieved a 3.6% share in the leasing market compared to 4.9% in 2022.

Among leased assets, Millennium Leasing recorded an increase in sales in 2023 in the light transport group by 7.7% and in real estate by 245%.

Millennium Leasing has been actively developing its offer of "green" leasing products, which the Company launched in April 2023. This is another step in supporting companies in the green transformation. Thanks to this offer, entrepreneurs can finance green assets comprehensively and on preferential terms. The offer includes a wide selection of assets from as many as 53 groups, the most important of which are machines and devices. Moreover, the offer combines the possibility of taking advantage of various programmes and special offers: reduced leasing instalments, a special offer allowing for the reduction of the first 3 leasing instalments, the MilleSun programme, financing assets obtaining energy from renewable sources. The new offer is a response to the expectations of entrepreneurs who want to implement the sustainable development policy of their companies and significantly reduce electricity costs. For years, Millennium Leasing has been promoting the financing of products that support environmental protection, in particular those that reduce CO2 emissions. In 2023, Millennium Leasing continued the implementation of the Mój Elektryk programme, which guarantees customers subsidies for leasing zero-emission vehicles. The aim of the programme is to reduce air pollution emissions by reducing the use of emission-intensive fuels in transport. It provides real support and encouragement to choose zero-emission vehicles. Millennium Leasing has been participating in the program since 2022. Subsidies amount to PLN4,000 for motorcycles, scooters and quads, up to PLN27,000 for passenger cars (for transporting max. 8 people), and up to PLN70,000 for delivery vehicles up to 3.5 tons. The program is scheduled to run by mid-2026.

In January 2023, Millennium Leasing was the first on the market to launch leasing with a *de minimis* guarantee from BGK. The *de minimis* guarantee replaces the existing leasing product with a BGK guarantee, the sale of which ended in December 2022. Thanks to said guarantees, entrepreneurs can benefit from financing on more attractive terms, including: margin, financing amount, contract period and required security. Millennium Leasing, under the portfolio agreement with BGK in 2023, had a guarantee line of PLN300 million.

In 2023, Millennium Leasing launched a pilot *Preferential Program* for financing pro-ecological assets, which it plans to fully launch in 2024.

The transformation of the economy and the implementation of sustainable development policies by customers will be a growing source of demand for financing offered by Millennium Leasing in the future. We expect that this growth will concern in particular:



- investments in energy-saving machines and devices, allowing to reduce both the amount and cost of electricity consumed per unit of product,
- low-emission means of transport, supporting the reduction of CO2 emissions in the transport of people and cargo,
- technologies for generating and storing energy from renewable sources.

Millennium Leasing actively promoted the *MilleFlota* service among its customers, which allows for convenient, fast and cost-effective servicing of vehicles up to 3.5 t. Under the programme, customers can purchase parts and services at attractive (and fixed throughout Poland) prices, also at Authorised Service Stations (Polish Autoryzowana Stacja Obsługi, ASO), and furthermore receive a special fleet discount.

In 2023, Millennium Leasing continued the possibility of signing documents with electronic signatures, which was introduced in 2020.

The Company continued the process of digitisation of its services, actively promoting the electronic handling of leasing agreements via the Electronic Customer Service Centre (elektroniczne Biuro Obsługi Klienta, eBOK) on the Millenet platform. At the end of 2023, more than 89% of customers used eBOK. The website has been expanded to include the possibility of submitting applications, thanks to which the customer can order all standard matters regarding contracts and leased items online. At the end of 2023, over 55% of such applications were already submitted electronically, using the eBOK platform. Millennium Leasing is also implementing additional features and improvements, making eBOK a convenient platform for comprehensive operational cooperation with customers.

Millennium Leasing services are sold by leasing advisors in 82 locations throughout Poland. Moreover, the Company actively cooperates with banking advisors in retail branches and in the corporate banking service network of Bank Millennium. This allows the Company to offer entrepreneurs a full range of financial services, including both leasing and banking products.

### **Millennium TFI investment funds**

Millennium TFI S.A. is a licensed financial institution operating since 2001 as an entity creating and managing investment funds. At the end of the year 2023, it managed customers' assets worth PLN5.2 billion. The number of Millennium funds participants at the end of 2023 amounted to over 150 thousands.

The main goal of Millennium TFI's activity is delivering to its clients an attractive and effective investment solutions and providing professional investment customer service. Its fund managers are professionals with long years of experience and excellent insight into financial markets.

During the year 2023, Millennium TFI has experienced significant increase of assets under management of 28.2%. This has been a consequence of disinflationary processes in a global economy and lack of escalations of geopolitical tensions. Important role has been played by increasing market expectations toward future monetary tightening by major central banks.

As a consequence, after two and a half years of bonds prices decrease on major bond markets, the last quarter of the year has brought us a long expected rebound.

In Poland we have also observed a consequent decrease in the dynamics of inflation and a start of the cycle of monetary easing through interest rate decrease by Polish monetary council (RPP). In effect, the government bonds and bond mutual funds have noted very solid, sometimes double digits rates of return.

The global equity markets have finished the year of 2023 with a very spectacular double digit positive rates of return. The increases in stock prices were supported not only by a rebound from an unfavourable 2022, but also by the profits and development of companies in the artificial intelligence sectors, signs of a "soft landing" for the US economy, and a decline in bond yields at the end of the year. The Polish stock market turned out to be one of the best in the world in 2023, with index increases ranging from 20-35%. The factors supporting the growth were: inflows of foreign capital (recognizing low valuations, reduced geopolitical risk after parliamentary elections), the possibility of accessing funds from the National Reconstruction Plan (KPO), strengthening of the PLN, enhancing the profits of foreign investors, and stable demand from the Individual Pension Program (PPK),

particularly noticeable in the small and medium-sized company segment. These positive factors allowed equity funds to rank in the first quartile in their peer groups.

In summary, the performance of capital markets in 2023, both in Poland and worldwide, not only supported the growth of accumulated assets' value but also contributed to a dynamic increase in the scale of fund unit acquisitions, particularly among fixed-income strategies and in the Affluent Clients segment. The growth dynamics of the assets under management (AUM) in this business line were among the highest in history.

At the same time, the company actively supported its distribution network in all business lines, through regular trainings, webinars, and providing up-to-date market commentaries. Additionally, an educational podcast channel was launched, catering to both advisors and clients.

Millennium TFI S.A. currently manages three umbrella funds: the Open-End Investment Fund with 6 separate sub-funds investing on the Polish market (Millennium FIO), Specialist Open-End Investment Fund with 6 separate sub-funds investing on the global markets (Millennium SFIO) and Millennium PPK Specialist Investment Fund with 9 target date sub-funds. In 2023, Millennium TFI offered participation units in 21 investment sub-funds with different investment strategies and different risk levels.

The company's broad offering includes also various savings products based on the investment funds it manages. Its most popular products include PPK and Individual Retirement Accounts (IKE). Millennium TFI currently manages IKE programs for 25 thousand customers, with the total asset value of PLN364 million. The assets under management of the PPK subfunds for nearly 14 thousand of participants reached PLN167,7 million at the end of 2023.

### Millennium Bank Hipoteczny

Millennium Bank Hipoteczny S.A. ('MBH') started its operating activity on June 14, 2021 with capital of PLN120 million, fully subscribed by Bank Millennium S.A. The purpose of the establishment and mission of MBH is to provide the Group with stable and long-term financing of mortgage loans in the form of covered bonds secured by mortgage receivables.

In 2023, one transfer was made to MBH of mortgage loans granted by Bank Millennium worth PLN501 million. At the end of 2023, MBH had about 5,000 loans in its portfolio with a total book value of PLN1,140 million. Over the past year, MBH continued to work on preparing further transfers. This work primarily involves determining the mortgage lending value (MLV) for the receivables scheduled for future transfers. All loans scheduled for transfer meet a number of criteria, the most important of which are:

- loan currency in PLN
- earmarked for housing purposes
- ownership title with established mortgage in favor of Bank Millennium in the 1st place
- no evidence of impairment
- loan value lower than the mortgage lending value (MLV).

At the end of 2023, 6.3 thousand receivables with a total value of about PLN1.6 billion were ready for transfer.

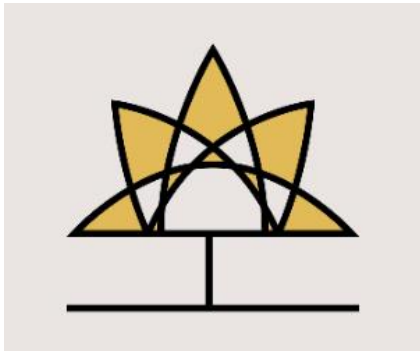
The situation in the domestic financial market in 2023 was subject to gradual improvement, but not enough for MBH to decide to carry out its first issuance of covered bonds.

In 2023, its second full year of operations, MBH achieved a positive net result of PLN9.5 million for the first time on an annual basis. Total assets as of December 31, 2023 amounted to PLN1,324 million.

The primary source of financing for MBH's operations, in addition to equity of PLN245 million, was financing provided by Bank Millennium in the amount of PLN1,073 million at year-end.

The mortgage portfolio on MBH's balance sheet is characterised by high quality. Liquidity and solvency ratios also remain at very high, safe levels. At the end of the reported period, the total capital ratio (TCR) was 33.1%.

## 10. MAIN AWARDS AND ACHIEVEMENTS in 2023



### The CSR Golden Leaf

Bank Millennium's consistent activities for sustainability and measurable successes in limiting the consumption of resources have once again been appreciated with the CSR Golden Leaf from Polityka weekly. The CSR Golden Leaf is awarded to companies, for which implementation of guidelines contained in the ISO 26000 standard is a key component of strategic actions in business and in relations with stakeholders, employees included. The companies rely in their Activities on local and global best management practice and follow international standards.



### Millennium Group for the fourth time distinguished in the Bloomberg Gender-Equality index

Banco Comercial Portugues entered the international Bloomberg Gender-Equality index for the fourth time in a row. In 2023, it achieved its best result so far. It is higher than the results reported by 73% of companies included in the index. The high position of Banco Comercial Portugues was due to data from its three companies: Bank Millennium, Millennium bcp, Millennium Bim..



### Bank Millennium is the best bank in Poland according to Global Finance Magazine

Bank Millennium was again awarded by the prestigious Global Finance. The magazine honoured Bank Millennium with the title of The Best Bank in Poland for 2023. The winners of this year's jubilee Global Finance awards are those banks that have carefully listened to the needs of their clients in difficult markets and achieved good results, laying the foundations for future success. The winning organizations managed their assets and liabilities prudently, taking into account scenarios of rapidly changing interest rates.



### Bank Millennium second in the Best Employers Poland 2023 ranking in the category "Banks and financial services"

Bank Millennium again came second on the ranking list of best employers in banking and financial services and 32nd among all companies in the 3rd edition of the Best Employers Poland 2023 ranking prepared by Forbes Poland and Statista. The ranking was prepared according to the proprietary method of Statista and Forbes. The basis for awarding the distinction were direct recommendations from employees of the surveyed companies.



### The Golden Bank 2023 title for Banku Millennium

Bank Millennium awarded the Golden Bank 2023 title for the best multi-channel service quality in the Golden Banker 2023 ranking. According to the ranking organizers, Bank Millennium is a bank from the very top, and the award was granted for persistent and systematic efforts on continuous improvement of the service. Bank Millennium was on the podium in all the categories that make up the main prize, and it was the best in two of them.



### Bank Millennium in the Top 10 in the 17th edition of the Ranking of Responsible Companies

Bank Millennium was once again at the forefront of the Ranking of Responsible Companies - prestigious listing of the largest companies in Poland, assessed in terms of quality of responsible management according to ESG guidelines. In the general classification, Bank Millennium moved up two positions vs the last year.



### Bank Millennium was also recognized as European Climate Leader 2023

Bank Millennium's sustainability and environmental activities were recognized by the Financial Times and Statista. Bank Millennium is the only company from Poland included among European Climate Leaders 2023. European Climate Leaders is a list of 500 companies from 33 European countries. It features companies that, among other things, achieved the largest reductions in GHG relative to revenues in 2016-2021 and are transparent in reporting their emission reduction activities.



### Bank Millennium is the best digital bank in Poland according to Global Finance Magazine

In this year's edition of World's Best Digital Banks, organised by Global Finance Magazine, Bank Millennium was considered The Best Consumer Digital Bank and The Best SME Banking in Poland, as well as The Best Consumer User Experience (UX) Design and The Best Integrated Corporate Banking Platform) in Central and Eastern Europe. Bank Millennium's mobile app was considered to be the best in Poland. The Bank also won in 8 other competition categories.





### Bank Millennium is the best bank in Poland according to Newsweek

Bank Millennium is the winner of this year's Newsweek's Friendly Bank ranking, winning in both ranking categories - „Bank for Kowalski” and „Remote Banking”. Bank's winning the “Bank for Kowalski” category was unquestionable. The Bank achieved 90 per cent of the maximum number of points, and in most aspects of the quality of service it had the best or near-best result in the entire group. Bank Millennium has won in the “Remote Banking” category for the second year in a row. Bank was also the undisputed winner in this category, scoring as many as 91 per cent of points. According to the organisers, the bank's advantage over its next rival was over 26 points.



### The 2nd place in the Forbes Company-Friendly Bank ranking

Bank Millennium took second place in the Forbes Company-Friendly Bank ranking, moving up another two positions compared to last year. Forbes' Company-Friendly Bank is a ranking assessing the quality of service for corporate clients, prepared on the basis of the mystery shopper method.



### Service Quality Star again for Bank Millennium

For another year in a row, the Bank was among the companies honoured with the title of Service Quality Star, awarded to the most friendly companies in Poland on the basis of a consumer satisfaction survey. The award given by the Polish Service Quality Standard means that the Bank represents the highest standards of service, stands out from the competition, and the Millennium brand has gained consumer recommendations.

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### 1st place for the team of economists in the REFINITIV ranking

In the Refinitiv (formerly Reuters) ranking, a team of economists led by Grzegorz Maliszewski, which also includes Andrzej Kamiński and Mateusz Sutowicz, again took 1st place in macroeconomic forecasts for 2022. Additionally, in the ranking of currency rate forecasts on the markets of Central and Eastern Europe, the team was ranked 5th, ahead of, among others, Citibank, Goldman Sachs and Bank of America.

STARMINE AWARDS  
FOR REUTERS POLLS  
FROM REFINITIV

The gold standard  
in forecasting.



### Bank Millennium has been included in this year's Financial Times Diversity Leaders Ranking

Bank Millennium was included in the Financial Times' "European Diversity Leaders" ranking. This is a list of European companies prepared periodically by the elite business and financial daily in cooperation with the research company Statista. The "Europe's Diversity Leaders 2024" ranking presents a list of 850 companies that received the highest score in the survey. Bank Millennium was ranked 262nd on the list, reaching 73.36 points. We are in the sixth position in the ranking among Polish companies, but we are the best in the domestic banking sector.



### Bank Millennium awarded by Euromoney magazine for best digital solutions in Poland

Bank Millennium was named the best bank in the area of digital solutions in Poland. The award was given in this year's edition of the ranking compiled by the editors of Euromoney magazine. The authors of the ranking recognized the Bank's efforts to meet the changing needs of its clients and to continuously improve its digital offer, especially its mobile application.



### Bank Millennium among the World's Most Trustworthy Companies in 2023

Bank Millennium was ranked among the world's most trustworthy companies in 2023. World's Most Trustworthy Companies 2023 is a list of companies selected on the basis of a holistic approach to assessing their trustworthiness. The organizers considered three main pillars of public trust: client trust, investor trust and employee trust. Bank Millennium was ranked 25th among all companies included in the list.



### Bank Millennium awarded for ESG activities by UN Global Compact

The UN Global Compact Network Poland (UN GCNP) has awarded Bank Millennium for its activities for sustainability. The Bank received the award in recognition of its commitment to climate change mitigation and sustainable development for the benefit of future generations. The award also includes effective cooperation within the framework of programs implemented by the UN GCNP.



**Bank Millennium employees triumphed in the prestigious Polish Contact Center Awards**

We won no less than 6 awards in the Customer Communication section in the competition organised by Polish Marketing Association SMB. Polish Contact Center Awards is the most important plebiscite of the Polish contact center and customer care/service sector.

**1st place for the Best Distributor of structured products in Poland and 1st place for the Best Distributor in Eastern Europe**

In this year's edition of the SRP European Awards 2023 - a prestigious international competition for the structured products industry, we took 1st place in the Best Distributor in Poland category and 1st place in the Best Distributor Eastern Europe category.

## 11. RISK MANAGEMENT

### 11.1. RISK MANAGEMENT

The mission of risk management in the Bank Millennium Group is to ensure that all types of risks, financial and non-financial, are managed, monitored, and controlled as required for the risk profile (risk appetite), nature and scale of the Group's operations. Important principle of risk management is the optimization of the risk and profitability trade-off - the Group pays special attention to ensure that its business decisions balance risk and profit adequately.

The goals of the risk management mission are achieved through implementation of the following actions:

- Development of risk management strategies, credit policy, processes and procedures defining the principles for acceptance of the allowable level of particular types of risk,
- Increasingly wider implementation of the IT tools for risks identification, control, and measurement,
- Increasing awareness of employees as regards their responsibility for proper risk management at every level of the Group's organizational structure.

Risk management is centralized for the Group and considers the need to obtain the assumed profitability and to maintain proper risk-capital relationship, in the context of having proper level of capital to cover the risk. Within risk management system, a broad range of methods is used, both qualitative and quantitative, including advanced mathematical and statistical tools supported by adequate IT systems.

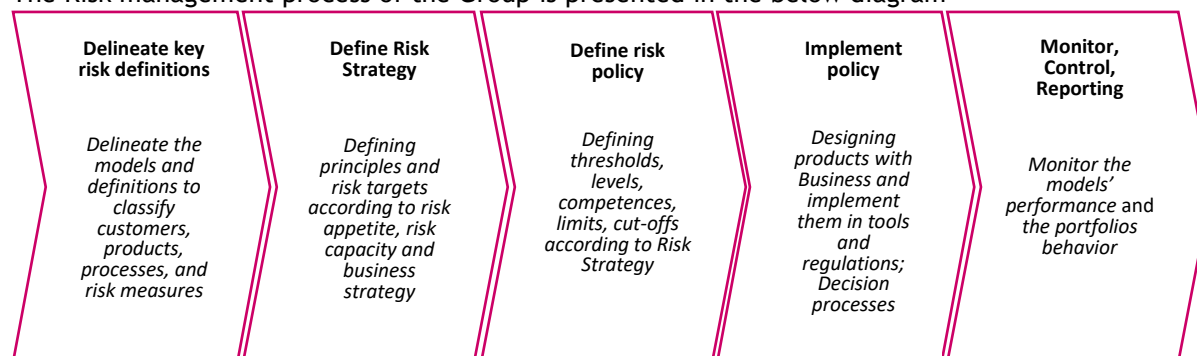
When defining the business and profitability targets, the Group considers the specified risk framework (risk appetite) to ensure that business structure and growth will respect the risk profile that is targeted and that will be reflected in several indicators such as:

- Loan growth in specific products / segments,
- Structure of the loan portfolio,
- Asset quality indicators,
- Cost of risk,
- Capital requirements / Economic capital,
- Amount and structure of liquidity needed.

The risk management and control model at the Group's level is based on the following main principles:

- ensuring the full-scope quantification and parameterization of distinct types of risks in the perspective of optimizing balance sheet and off-balance sheet items to the assumed level of profitability of business activity. The primary areas of analysis encompass credit risk, market risk, liquidity risk and operational risk. Legal and litigation risk also are subject to specific attention;
- all types of risks are monitored and controlled in reference to the profitability of operations and the level of capital necessary to ensure the safety of operations from the point of view of capital adequacy. The results of risk measuring are regularly reported as part of the management information system;
- the segregation of duties between risk origination, risk management and risk control.

The Risk management process of the Group is presented in the below diagram



The split of competence in the field of risk management is as follows:

- The Supervisory Board is responsible for overseeing the compliance of the Group's risk-taking policy with the Group's strategy and its financial plan. Within the Supervisory Board acts the Committee for Risk Matters, which supports it in realization of those tasks, among others, issuing opinion on the Group's Risk Strategy, including the Group's Risk Appetite;
- The Management Board is responsible for the effectiveness of the risk management system, internal capital estimation process, for reviewing the internal capital calculation and maintenance process and the internal control systems;
- The Credit Committee, the Capital, Assets and Liabilities Committee, and the Liabilities at Risk Committee are responsible for current management of different areas of banking risk, within the framework determined by the Management Board;
- The Risk Committee and the Processes and Operational Risk Committee are responsible for defining the policy and for monitoring and control of different areas of banking risk, within the framework determined by the Management Board;
- The Product Committee reviews proposals for the implementation and withdrawal of products and services from the bank's offering;
- The AML Committee is responsible for supervision of anti-money laundering and terrorism financing in the Bank and cooperation in combating financial crime;
- The Validation Committee is responsible for confirmation of risk models' validation results and follow-up in the implementation of the measures defined by the Models Validation Office;
- The Sustainability Committee is responsible for making key decisions regarding sustainable development in the Bank Millennium S.A. Group, in relation to environmental, social and governance factors.
- The Sub-Committee for Court Cases is responsible for expressing opinions and taking decisions in matters regarding court proceedings, for the cases when value of the dispute or direct effect for assets value as a consequence of court verdict exceeds PLN1mn or as result of multiple cases with the same nature, excluding most of the cases belonging to the restructuring and recovery portfolio of Bank's receivables managed by the Corporate Recovery Department and Retail Restructuring and Debt Collection Department;
- The Risk Department is responsible for risk management, including identifying, measuring, analysing, monitoring, and reporting on risk within the Bank. The Risk Department also prepares risk management policies and procedures as well as provides information and proposes courses of action necessary for the Capital, Assets and Liabilities Committee, Risk Committee, and the Management Board to make decisions with respect to risk management;
- The Rating Department is mainly responsible for risk rating assignment for Corporate clients (based on the evaluation of clients' creditworthiness) as well as for rating monitoring and potential revision during the period of its validity. Rating assignment process is independent from credit decision process;
- The Corporate Credit Underwriting Department, Mortgage Credit Underwriting Department and Consumer Finance Credit Underwriting Department have responsibility, within the Corporate Customer segment and Retail Customer segment, respectively, for the credit decision process, including analysing customers' financial situation, preparing credit proposals for the decision-making levels, and making credit decisions within specified limits;

- The Retail Liabilities Monitoring and Collection Department and Retail Liabilities Restructuring and Recovery Department have responsibility for monitoring repayment of overdue debts by retail customers and their collection;
- The Corporate Recovery Department develops specific strategies with respect to each debtor from recovery portfolio, which aims to maximize timely collection of the outstanding debt and minimize the risk incurred by the Group. This approach is constantly revised to reflect updated information, and the best practices and experiences regarding collection of overdue debts;
- The Treasury Control and Analyses Office has responsibility for monitoring the use of part of the Group's limits, including counterparty and stop-loss limits, the Group's FX position, results of active trading and control of operations of the treasury segment;
- The Models Validation Office has responsibility for qualitative and quantitative models' analysis and validation, independent from the function of models' development; development of the models' validation and monitoring tools; activities connected with issuing opinions on the adequacy of the models for the segment, for which they were developed; preparing reports for the Validation Committee needs;
- The Sustainability Department is responsible for supervising and coordination of the process of implementing the principles of sustainable development in the Bank and the Group.
- The Anti-fraud Sub-unit has responsibility for implementation and monitoring Bank policy execution in the scope of fraud risk management in cooperation with others Bank units. The Sub-unit constitutes a competence centre for anti-fraud process;
- The Compliance Department has the responsibility to ensure compliance with legal regulations, related regulatory standards, market principles and standards as well as internal organization regulations and codes of conduct;
- The Legal Department has responsibility for handling the litigation cases of the Bank, with support of external legal offices and legal experts whenever necessary.

The Group has prepared a comprehensive guideline document for the risk management policy/strategy: "Risk Strategy for 2024-2026". The document takes a 3-year perspective and is reviewed and updated annually. It is approved by the Bank's Management Board and Supervisory Board. The risk strategy is inextricably linked to other strategic documents, such as: Budget, Liquidity Plan, and Capital Plan.

The Risk Strategy bases on the two concepts defined by the Group:

1. Risk profile - current risk level expressed in amount or type of risk the Group is currently exposed. The Group also has a forward-looking view how their risk profile may change under both expected and stress economic scenarios in accordance with risk appetite,
2. Risk appetite - the maximum amount or type of risk the Group is prepared to accept and tolerate to achieve its financial and strategic objective. Three zones are defined in accordance with warning / action required level.

Risk appetite must ensure that business structure and growth will respect the forward risk profile. Risk appetite was reflected through defined indicators in several key areas, such as:

- Solvency
- Liquidity and funding
- Earnings volatility and Business mix
- Franchise and reputation.

The Bank and The Group has a clear risk strategy, covering retail credit, corporate credit, markets activity and liquidity, operational and capital management. For each risk type and overall, the Group clearly defines the risk appetite.

The Risk Management is mainly defined through the principles and targets defined in Risk Strategy and complemented in more detail by the principles and qualitative guidelines defined in the following documents:

- a. Capital Management and Planning Framework
- b. Credit Principles and Guidelines
- c. Rules on Concentration Risk Management
- d. Principles and Rules of Liquidity Risk Management
- e. Principles and Guidelines on Market Risk Management on Financial Markets
- f. Principles and Guidelines for Market Risk Management in Banking Book
- g. Investment Policy
- h. Principles and Guidelines for Management of Operational Risk
- i. Policy, Rules, and Principles of the Model Risk Management
- j. Stress tests policy
- k. Sustainability Policy
- l. [Anti-money laundering and combating of the financing of terrorism policy of Bank Millennium SA.](#)

Within risk appetite, the Group has defined tolerance zones for its measures (build up based on the “traffic lights” principle). As for all tolerance zones for risk appetite, it has been set:

- Risk appetite status - green zone means a measure within risk appetite, yellow zone means an increased risk of risk appetite breach, red zone means risk appetite breach
- Escalation process of actions/decisions taken - bodies/organizational entities responsible for decisions and actions in a particular zone
- Risk appetite monitoring process.

The Group pays particular attention to continuous improvement of the risk management process. One measurable effect of this is a success of the received authorization to the further use of the IRB approach in the process of calculating capital requirements.

## 11.2. CAPITAL MANAGEMENT

### Capital management and planning

Capital management relates to two areas: capital adequacy management and capital allocation. For both areas, management goals were set.

The goal of capital adequacy management is: (a) meeting the requirements specified in external regulations (regulatory capital adequacy) and (b) ensuring the solvency in normal and stressed conditions (economic capital adequacy/internal capital). Completing that goal, Bank strives to achieve internal long-term capital limits (targets), defined in Risk Strategy.

Capital allocation purpose is to create value for shareholders by maximizing the return on risk in business activity, considering established risk appetite.

In a scope of capital management process, there is also a capital planning process. The goal of capital planning is to designate the own funds (capital base that is risk-taking capacity) and capital usage (regulatory capital requirements and economic capital) in a way to ensure that capital targets/limits shall be met, given forecasted business strategy and risk profile - in normal and stressed macroeconomic conditions.

## Regulatory capital adequacy

The Bank is obliged by law to meet minimum own funds requirements, set in art. 92 of Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms, amending Regulation (EU) No 648/2012 (CRR). At the same time, the following buffers were included in capital targets/limits:

- Pillar II FX mortgage loans buffer (P2R buffer) - KNF decision regarding order to maintain additional own funds to secure risk resulting from FX mortgage loans granted to households, under the art. 138.2.2 of Banking Act. A value of that buffer is defined for particular banks by KNF every year because of Supervisory Review and Evaluation Process (SREP) and relates to risk that is in KNF's opinion - inadequately covered by minimum own funds requirements, set in CRR art. 92. At present, the buffer was set by KNF in the decisions issued in the end of 2023 in the level of 1.47pp (Bank) and 1.46pp (Group) as for Total Capital Ratio (TCR), which corresponds to capital requirements over Tier 1 ratio of 1.10pp (Bank and Group), and which corresponds to capital requirements over CET 1 ratio of 0.82pp (Bank and Group)<sup>1</sup>;
- Combined buffer - defined in Act on macro prudential supervision over the financial system and crisis management - that consists of:
  - Capital conservation buffer at the level of 2.5%;
  - Other systemically important institution buffer (OSII) - at the level of 0.25%, and the value is set by KNF year<sup>2</sup>;
  - Systemic risk buffer at the level of 0% in force from March 2020, in line with Regulation of Ministry of Development and Finance;
  - Countercyclical buffer at the 0% level.

In accordance to binding legal requirements and recommendations of Polish Financial Supervisory Authority (KNF), the Group defined regulatory minimum levels of capital ratios, being at the same time the base of defining capital limits.

The below table presents these levels as of 31 December 2023. The Bank will inform on each change of required capital levels in accordance with regulations.

<sup>1</sup> That decision replaces the previous recommendation from 2022, to maintain own funds for the coverage of additional capital requirements at the level of 1.95pp (Bank) and 1.94pp (Group) as for TCR, which should have consisted of at least 1.47pp (Bank) and 1.46pp (Group) as for Tier 1 capital and which should have consisted of at least 1.10pp (Bank) and 1.09pp (Group) as for CET1 capital.

<sup>2</sup> In November 2020 KNF issued the decision on identification the Bank as other systemically important institution and imposing OSII Buffer.



**Minimum capital ratios as at the end of 2023**

<b>Capital ratio</b>	<b>31.12.2023</b>	
<b>CET1 ratio</b>	<b>Bank</b>	<b>Grupa</b>
Minimum	4.50%	4.50%
P2R Buffer	0.82%	0.82%
TSCR CET1 (Total SREP Capital Requirements)	5.32%	5.32%
Capital Conservation Buffer	2.50%	2.50%
OSII Buffer	0.25%	0.25%
Systemic risk buffer	0.00%	0.00%
Countercyclical capital buffer	0.00%	0.00%
Combined buffer	2.75%	2.75%
OCR CET1 (Overall Capital Requirements CET1)	8.07%	8.07%
<b>T1 ratio</b>	<b>Bank</b>	<b>Grupa</b>
Minimum	6.00%	6.00%
P2R Buffer	1.10%	1.10%
TSCR T1 (Total SREP Capital Requirements)	7.10%	7.10%
Capital Conservation Buffer	2.50%	2.50%
OSII Buffer	0.25%	0.25%
Systemic risk buffer	0.00%	0.00%
Countercyclical capital buffer	0.00%	0.00%
Combined buffer	2.75%	2.75%
OCR T1 (Overall Capital Requirements T1)	9.85%	9.85%
<b>TCR ratio</b>	<b>Bank</b>	<b>Grupa</b>
Minimum	8.00%	8.00%
P2R Buffer	1.47%	1.46%
TSCR TCR (Total SREP Capital Requirements)	9.47%	9.46%
Capital Conservation Buffer	2.50%	2.50%
OSII Buffer	0.25%	0.25%
Systemic risk buffer	0.00%	0.00%
Countercyclical capital buffer	0.00%	0.00%
Combined buffer	2.75%	2.75%
OCR TCR (Overall Capital Requirements TCR)	12.22%	12.21%

In December 2023, the Bank received a recommendation to maintain, own funds to cover an additional capital charge ("P2G") to absorb potential losses resulting from the occurrence of stresses, at the level of 1.59pp and 1.60pp (on an individual and consolidated level) over the OCR value. According to the recommendation, the additional capital charge should consist fully of common equity Tier 1 capital (CET1 capital).

Capital risk, expressed in the above capital targets/limits, is measured, and monitored in a regular manner. Capital limits were defined based on the minimum regulatory capital levels. They are the basis of setting safety zones and risk appetite. Capital ratios in each zone determine the need to make appropriate decisions or management actions. Regular monitoring of capital risk is based on the classification of capital ratios into appropriate zones, and then the assessment of trends and factors influencing the level of capital adequacy is carried out.

**Own funds capital requirements**

The Group is during a project of an implementation of internal ratings-based method (IRB) for calculation of own funds requirements for credit risk and calculates its own funds minimum requirements using the IRB and standardise method for credit risk and standardise methods for other risk types.

In the end of 2012, Banco de Portugal (consolidating Regulator) with cooperation of Polish Financial Supervision Authority (PFSa) granted an approval to the use of IRB approach as to following loan portfolios: (i) Retail exposures to individual persons secured by residential real estate collateral (RRE), (ii) Qualifying revolving retail exposures (QRRE). According to the mentioned approval, minimum own funds requirements calculated using the IRB approach should be temporarily maintained at no less than 80 per cent ('Regulatory floor') of the respective capital requirements calculated using the Standardized approach.

In the end of 2014, the Bank received another decision by Regulatory Authorities regarding the IRB process. According to its content, for the RRE and QRRE loan portfolios, the minimum own funds requirements calculated using the IRB approach had to be temporarily maintained at no less than 70 per cent ('Regulatory floor') of the respective capital requirements calculated using the Standardized approach until the Bank fulfils further defined conditions. In July 2017, the Bank received the decision of Competent Authorities (ECB cooperating with KNF) on approval the material changes to IRB LGD models and revoking the 'Regulatory floor'.

Since 2018, the Bank has been successively implementing a multi-stage process of changes to the IRB method, related to the requirements regarding the new definition of default. In the first phase, in line with the "two-step approach" approved by Competent Authorities, the Bank in 2020 successfully implemented solutions for the new definition of default in the production environment. The Bank is obliged to include an additional conservative charge on the estimates of the RWA value for exposures classified under the IRB approach. The level of this add-on, calculated based on the supervisory algorithm, was set at 5 per cent above the value resulting from the IRB method.

In 2021, all credit risk models included in the rating system subject to the current regulatory approval were recalibrated and rebuilt. In 2021 the Bank also obtained a decision from Competent Authorities to approve significant changes to the IRB models used (LGD, LGD in-default and ELBE) for rating systems subject to the IRB approval.

In 2022 and 2023, further work was carried out on credit risk models for the remaining credit portfolios covered by the IRB method roll-out plan: other retail exposures and corporate exposures.

### Internal capital

The Group defines internal capital according to Polish Banking Act, as the estimated amount needed to cover all identified, material risks found in the Bank's activity and changes in economic environment, considering the anticipated level of risk in the future.

Internal capital is used in capital management in following processes: economic capital adequacy management and capital allocation. The Bank defined an internal (economic) capital estimation process. To this end, as for measurable risk types, mathematic and statistic models and methods are used.

Maintaining economic capital adequacy means a coverage (provision) of internal capital (that is an aggregated risk measure) by available financial resources (own funds). An obligation to banks to have in place that sort of risk coverage stems from Banking Act. It was mirrored in the Group's capital targets/limits: economic capital buffer and economic capital buffer in stressed conditions.

In 2023, both above capital targets were met with a surplus. A surplus of own funds over internal capital supports a further increase of banking activity, in areas with a higher risk-adjusted return.

At the same time internal capital is utilised in capital allocation process, to assign an internal capital to products/business lines, calculating risk-adjusted performance measures, setting risk limits and internal capital reallocation.

## Capital adequacy evolution

Capital adequacy evolution of the Group and the Bank in 2023 and 2022 was as follows:

Capital adequacy measures (PLN million)	31.12.2023 Group	31.12.2022 Group	31.12.2023 Bank	31.12.2022 Bank
Risk-weighted assets	41 354.5	48 497.3	37 960.4	48 046.0
<b>Own Funds requirements, including:</b>	<b>3 308.4</b>	<b>3 879.8</b>	<b>3 036.8</b>	<b>3 843.7</b>
- Credit risk and counterparty credit risk	2 841.2	3 380.6	2 589.0	3 386.7
- Market risk	15.4	18.0	15.4	18.0
- Operational risk	446.4	474.5	427.0	432.3
- Credit Valuation Adjustment CVA	5.4	6.7	5.4	6.7
<b>Own Funds, including:</b>	<b>7 470.6</b>	<b>6 991.1</b>	<b>7 228.3</b>	<b>6 980.1</b>
- Common Equity Tier 1 Capital	6 089.7	5 469.9	5 847.4	5 458.9
- Tier 2 Capital	1 380.9	1 521.2	1 380.9	1 521.2
<b>Total Capital Ratio (TCR)</b>	<b>18.06%</b>	<b>14.42%</b>	<b>19.04%</b>	<b>14.53%</b>
Minimum required level	12.21%	12.69%	12.22%	12.70%
Surplus (+) / Deficit (-) of TCR ratio (pp)	5.85	1.73	6.82	1.83
<b>Tier 1 Capital ratio (T1)</b>	<b>14.73%</b>	<b>11.28%</b>	<b>15.40%</b>	<b>11.36%</b>
Minimum required level	9.85%	10.21%	9.85%	10.22%
Surplus (+) / Deficit (-) of T1 ratio (pp)	4.88	1.07	5.55	1.14
<b>Common Equity Tier 1 Capital ratio (CET1)</b>	<b>14.73%</b>	<b>11.28%</b>	<b>15.40%</b>	<b>11.36%</b>
Minimum required level	8.07%	8.34%	8.07%	8.35%
<b>Leverage ratio</b>	<b>4.66%</b>	<b>4.72%</b>	<b>4.77%</b>	<b>4.74%</b>

As at 2023 end, capital adequacy, measured by Common Equity Tier 1 Capital ratio and Total Capital Ratio, increased in one year period by ca 3.45pp and by ca 3.64pp, respectively.

Risk-weighted assets (RWA) of the Group decreased in 2023 by PLN7,143million (by 14.7%). The largest annual change concerned RWA for credit risk and counterparty credit risk - a decrease of PLN6,743million (by 16%) what in terms of own funds requirements for credit and counterparty credit risk is a decrease of PLN539million. One of the main factors of this decline were loan securitization transactions - the total impact of securitization on the RWA reduction at the end of 2023 is estimated at approximately PLN7,155million. Total changes in RWA for other risks (market, operational and CVA) were much smaller - a total decrease of PLN400million, what in terms of own funds requirements is a decrease of PLN32million.

Own funds increased in 2023 by PLN480million (by 6.9%), mainly as a result of including the net profit for the first half of 2023 in own funds (an increase by PLN358million).

The minimum capital ratios required by the Polish Financial Supervision Authority in terms of the combined buffer requirement (OCR) are achieved with a large surplus at the end of 2023. Also, in terms of the levels expected by the Polish Financial Supervision Authority, including the additional P2G level, they were achieved for all capital ratios with a clear surplus. The Bank has fully regained capital adequacy, which allows it to complete the Capital Protection Plan, which has been implemented since October 2022.

Leverage ratio stood at the safe level of 4.66%, and it significantly exceeds the regulatory minimum (3%).

In December 2023, the Bank carried out a synthetic securitization transaction of a portfolio of unsecured cash loans with a total value of PLN7.2billion. This was the largest synthetic securitization transaction concluded by the Bank so far. As part of the transaction, the Bank transferred a significant part of the credit risk of the securitized portfolio to the investor. The securitized loan portfolio remains on the Bank's balance sheet. The risk of the securitized portfolio is transferred via a credit protection instrument in the form of credit risk-related bonds issued in December in the amount of PLN489million.

Earlier, in July 2023, the Bank's subsidiary, Millennium Leasing, conducted another synthetic securitization transaction. The reference portfolio of leasing transactions was worth PLN4.0billion. As part of the transaction, Millennium Leasing transferred a significant part of the credit risk of the securitized portfolio to the investor. The securitized loan portfolio remains on Millennium Leasing's balance sheet. The risk transfer of the securitized portfolio is carried out through a credit protection instrument in the form of credit risk bonds issued in July 2023 ("CLN Bonds") in the amount of PLN280million.

### **Minimum requirement for own funds and eligible liabilities (MREL)**

In the area of minimum requirements for own funds and eligible liabilities subject to write-down or conversion, the Bank manages MREL requirements indicators in a manner analogous to capital adequacy indicators.

In June 2023 the Bank received a joint decision from the resolution authorities, obliging it to comply with MREL requirements. The decision sets updated minimum requirements that must be met by December 31, 2023 - at the levels of 18.89% (consolidated MRELTrea) and 5.91% (consolidated MRELtem). Additionally, in relation to the above decisions, the Bank should also meet the MREL requirement taking into account the Combined Buffer Requirement (currently 2.75%).

Taking into account the above, in September 2023, the Bank successfully completed the subscription of senior non-preferred bonds with a total value of EUR500million under the Euro Medium Term Notes Issuance Program with a total nominal value of no more than EUR3billion.

### **MREL requirements and ratios in 2022 and 2023**

<b>MREL</b>	<b>31.12.2023</b>	<b>30.09.2023</b>	<b>30.06.2023</b>	<b>31.12.2022</b>
<b>MRELTrea ratio (consolidated)</b>	<b>23.77%</b>	<b>22.05%</b>	<b>14.93%</b>	<b>14.77%</b>
Minimum required level MRELTrea	18.89%	14.42%	14.42%	15.60%
Surplus (+) / Deficit (-) of MRELTrea (pp)	4.88	7.63	0.51	-0.83
Minimum required level including Combined Buffer requirement (CBR)	21.64%	17.17%	17.17%	18.35%
Surplus (+) / Deficit (-) of MRELTrea+CBR (pp)	2.13	4.88	-2.24	-3.58
<b>MRELtem (consolidated)</b>	<b>7.50%</b>	<b>7.72%</b>	<b>5.87%</b>	<b>6.04%</b>
Minimum required level of MRELtem	5.91%	4.46%	4.46%	3.00%
Surplus (+) / Deficit (-) of MRELtem (pp)	1.59	3.26	1.41	3.04

In terms of the MRELTrea and MRELtem requirements, the Group presents a surplus compared to the minimum required levels as of December 31, 2023, and meets the MRELTrea Requirement after the inclusion of the Combined Buffer Requirement.

### 11.3. CREDIT RISK

Credit risk means uncertainty about the Client's compliance with the financing agreements concluded with the Group i.e., repayment of the principal and interest in the specified time, which may cause a financial loss to the Group.

The credit policy pursued in the Group is based on a set of principles such as:

- centralization of the credit decision process;
- using specific scoring/rating models for each client segment/type of products;
- using IT information (workflow) to support the credit process at all stages;
- existence of specialized credit decisions departments for particular Client segments;
- regular credit portfolio monitoring, both at the level of each transaction in the case of major exposures, and at credit sub-portfolio level (by the client segment, type of product, distribution channels, etc.);
- using the structure of limits and sub-limits for credit exposure to avoid credit concentration and promote the effects of credit portfolio diversification;
- separate unit responsible for granting rating to corporate client, thus separating the credit capacity assessment and credit transaction granting from his creditworthiness assessment.

In the area of credit risk, in 2023, the Group focused on adjusting the principles of its credit policy to changing economic conditions and on improving the tools and processes of credit risk management, in particular

- updated the Risk Strategy for the years 2024-2026;
- optimised the methodology, tools, and processes of credit risk management for retail and corporate clients;
- updating the industry risk classification and industry limits.

In the retail segment, emphasis was placed on assessing and counteracting the risk arising from the economic situation after the break-out of the war in Ukraine, and at the same time further steps have also been taken in general digitization and automation of credit processes. In the area of mortgage loans, development activities were continued to optimize, automate, and digitize the process, while adapting it to the changing market situation and changing of external regulations environment. Similar approach was also undertaken in the area of business customers as part of granting products financing business activities, in particular processes with increased security based on BGK guarantees were still being developed.

In the corporate segment, the Group focused on the optimal use of capital while maintaining the current profitability and maintaining a good risk profile. The Group also carried out activities aimed at improving and accelerating credit processes, including decision-making processes. As in previous periods, work continued improving IT tools supporting the credit process. The Group also continued the close monitoring of the loan portfolio as well as the individual monitoring of the largest exposures.

All the above changes in both the retail and corporate segment enabled the Group to maintain the risk at an acceptable level defined in the Risk Strategy as well as prepared the Group to new challenges and to act in changed conditions.

#### **Loan portfolio quality**

Share of impaired loans, including stage 3 portfolio and POCI Assets (Purchased or Originated Credit Impaired) in default, in total loan portfolio was at the end of December 2023 at the level of 4.58%. This means a small growth of 13bp from the level of 4.45% at the end of 2022, which was achieved largely due to the Group's sales and write-offs policy. Share of loans past-due more than 90 days in total portfolio increased during this year from 2.03% in December 2022 to 2.12% in December 2023.

Coverage ratio of impaired loans, now defined as relation of all risk provisions for stage 3 loans and POCI in default, has increased during this year from 69.91% in December 2022 to 72.21%. Coverage by total provisions of loans past-due more than 90 days also increased from 154% one year ago to 156%

at the end of December 2023. In 2023 both these ratios improved despite the elimination from the Group's loans portfolio of approx. PLN204mn of receivables fully covered by provisions (write-offs) and approx. PLN240mn of highly covered receivables (sales).

The evolution of main indicators of the Group's loan portfolio quality is presented below:

Group loans quality indicators	31.12.2023	31.12.2022
Total impaired loans (PLN million)	3 488	3 518
Total provisions (PLN million)	2 518	2 460
<b>Impaired over total loans ratio (%)</b>	<b>4.58%</b>	<b>4.45%</b>
Loans past-due over 90 days / total loans (%)	2.12%	2.03%
<b>Total provisions/impaired loans (%)</b>	<b>72.21%</b>	<b>69.91%</b>
Total provisions/loans past-due (>90d) (%)	155.68%	153.58%

(\*) Purchase Price Allocation (PPA) implied consolidation of Euro Bank impaired (stage 3) portfolio at net value

Impaired loan ratio for retail clients decreased from 4.86% to 4.79% (including drop in other retail of 0.38pp and drop in mortgage portfolio of 0.28pp) and at the same time increased in the corporate portfolio from 3.07% to 3.77% (growth in leasing portfolio of 0.62pp and growth in other corporate portfolio of 0.70pp). During this year, the value of foreign currency mortgage loans (deducted by allocated provisions) decreased as much by approx. 55.5% year-to-year (in PLN terms) because of amortization of this portfolio as well because of increasing provisions created for legal risk. Additionally, it should be noted that ex-Euro Bank mortgage portfolio, in amount of approx. PLN351mn, enjoys a guarantee and indemnity from Société Générale. Excluding this portfolio, the share of FX mortgage loans in the total loan portfolio decreases from 8.1% to 3.6%. The improvement in the currency structure of the mortgage loan portfolio was supported by a significant increase in sales of new loans in PLN.

The evolution of the Group's loan portfolio quality by main products groups:

Portfolio quality by products:	Loans past-due > 90 days ratio		Impaired loans Ratio	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Mortgage	1.00%	0.98%	2.37%	2.65%
Other retail*	5.38%	5.73%	9.55%	9.93%
Total retail clients*	2.48%	2.42%	4.79%	4.86%
Leasing	1.02%	0.74%	4.56%	3.94%
Other loans to companies	0.58%	0.65%	3.19%	2.49%
Total companies	0.77%	0.69%	3.77%	3.07%
<b>Total loan portfolio</b>	<b>2.12%</b>	<b>2.03%</b>	<b>4.58%</b>	<b>4.45%</b>

(\*) incl. Microbusiness, annual turnover below PLN 5 million

The Group's portfolio is characterized by appropriate diversification, both due to the concentration of the largest exposures and due to the concentration in sectors of the economy. Participation of the 10 largest exposures remain at a safe, low level of 4.1% (decrease in 2023 from 4.7% at the end of 2022).

The distribution of the portfolio by Stage 1/2 and PD ranges as well as the distribution by Stage3/POCI and months in default is presented below separately for the following homogenous portfolios: Mortgage, Other retail, Other Corporate and Leasing.

The average 12-month PD for Stage 1/2 in Mortgage increased from 1.06% to 2.23% as a consequence of shift of exposures towards worse PD ranges, whereas the average LGD improved from 16.40% to 14.74%, which indicates growth of recovery rate in this segment.



## Distribution of non-defaulted portfolio by 12-month PD for Mortgage segment (PLN mln):

31.12.2023									
	PD scale	Gross balance exposure	Off-balance exposure	Number of exposures	Average maturity (yrs.)	EAD*	Average PD (%)	Average LGD (%)	ECL**
Stage 1	0% - 0.14%	624.5	0.0	4 852	15.7	631.4	0.13%	14.56%	0.1
	0.15% - 0.24%	1 858.9	0.3	11 937	18.5	2 214.3	0.19%	14.75%	0.6
	0.25% - 0.49%	95.2	0.0	740	16.4	114.3	0.42%	14.79%	0.1
	0.50% - 0.74%	180.3	0.1	1 016	19.5	192.2	0.61%	14.73%	0.2
	0.75% - 2.49%	29 419.4	849.1	128 265	22.1	30 611.5	1.37%	14.63%	59.3
	2.50% - 9.99%	4 249.7	20.4	42 998	20.1	4 381.8	6.59%	15.63%	44.3
	10.00% - 44.99%	175.7	0.0	1 005	22.8	178.5	11.67%	15.96%	3.2
	45.00% - 100.00%	0.2	0.0	1	15.5	0.2	49.02%	14.54%	0.0
	Total Stage 1	36 603.9	870.0	190 814	21.6	38 324.1	1.92%	14.75%	107.8
Stage 2	0% - 0.14%	1.6	0.0	12	17.3	1.6	0.14%	14.54%	0.0
	0.15% - 0.24%	9.3	0.0	70	17.8	12.9	0.20%	14.87%	0.0
	0.25% - 0.49%	62.0	0.0	367	18.0	63.2	0.39%	14.54%	0.5
	0.50% - 0.74%	67.0	0.0	379	19.3	67.9	0.62%	14.54%	0.6
	0.75% - 2.49%	1 035.0	0.8	3 898	22.1	1 051.1	1.79%	14.49%	11.9
	2.50% - 9.99%	799.9	4.6	3 162	22.9	815.1	4.68%	14.45%	20.5
	10.00% - 44.99%	420.0	0.0	1 938	23.0	429.7	20.70%	14.87%	29.5
	45.00% - 100.00%	36.7	0.4	223	21.1	39.1	70.99%	14.81%	5.3
	Total Stage 2	2 431.4	5.7	10 049	22.3	2 480.7	7.03%	14.55%	68.3
Total Stage 1+2	39 035.3	875.7	200 863	21.6	40 804.8	2.23%	14.74%	176.2	
31.12.2022									
Stage 1	0% - 0.14%	0.6	0.0	332	0.4	0.8	0.11%	18.34%	0.0
	0.15% - 0.24%	4.9	21.7	450	27.4	25.9	0.22%	17.03%	0.0
	0.25% - 0.49%	22 138.6	646.8	113 950	22.2	23 627.9	0.43%	16.76%	16.4
	0.50% - 0.74%	10 259.0	80.0	49 693	22.1	10 641.1	0.57%	14.67%	8.8
	0.75% - 2.49%	5 148.2	58.3	24 484	22.3	5 329.6	1.32%	18.10%	12.8
	2.50% - 9.99%	1 025.5	5.7	4 329	22.9	1 062.5	4.39%	19.40%	9.2
	10.00% - 44.99%	60.1	0.0	247	23.4	63.3	12.49%	18.52%	1.4
	45.00% - 100.00%	0.1	0.0	1	21.1	0.9	82.69%	15.37%	0.1
	Total Stage 1	38 637.2	812.5	193 486	22.2	40 751.9	0.71%	16.46%	48.7
Stage 2	0% - 0.14%	0.0	0.0	3	0.1	0.0	0.08%	14.54%	0.0
	0.15% - 0.24%	0.0	0.0	1	0.7	0.0	0.17%	42.82%	0.0
	0.25% - 0.49%	62.4	2.5	322	21.4	66.9	0.44%	15.59%	0.3
	0.50% - 0.74%	186.7	0.9	830	20.2	193.2	0.66%	14.51%	1.6
	0.75% - 2.49%	1 333.9	10.5	5 384	22.3	1 384.9	1.47%	14.84%	24.0
	2.50% - 9.99%	807.4	4.9	3 314	22.4	833.2	5.05%	15.79%	37.5
	10.00% - 44.99%	379.3	0.3	1 659	22.1	387.8	19.69%	17.94%	37.1
	45.00% - 100.00%	46.8	0.0	213	21.8	49.2	66.20%	19.24%	8.4
	Total Stage 2	2 816.4	19.1	11 726	22.1	2 915.3	5.93%	15.59%	109.0
Total Stage 1+2	41 453.6	831.6	205 212	22.2	43 667.2	1.06%	16.40%	157.7	

\* EAD after credit risk mitigation and application of the credit conversion factor \*\* For Stage 2 - ECL Lifetime

Distribution of Stage 3 and POCI portfolio by time in default for Mortgage segment (PLN mln):

31.12.2023					
	Time in default	Number of exposures	EAD*	Average LGD (%)	ECL**
Stage 3	<12 months	1 279	250.5	22.13%	55.4
	13 - 24 months	833	158.4	29.73%	47.1
	25 - 36 months	476	97.2	39.14%	38.0
	37 - 48 months	357	64.1	46.15%	29.6
	49 - 60 months	338	62.9	53.57%	33.7
	61 - 84 months	709	134.2	64.22%	86.2
	> 84 months	580	120.4	80.65%	97.1
	<b>Total Stage 3</b>	<b>4 572</b>	<b>887.6</b>	<b>43.61%</b>	<b>387.1</b>
POCI	Non-Default	143	24.7	30.73%	10.8
	<12 months	17	4.0	35.88%	1.4
	13 - 24 months	22	5.6	46.48%	2.6
	25 - 36 months	7	1.5	57.80%	0.9
	37 - 48 months	28	9.9	87.16%	8.7
	49 - 60 months	280	108.8	93.73%	102.0
	61 - 84 months	7	2.3	94.39%	2.2
	> 84 months	14	6.0	98.97%	5.9
	<b>Total POCI</b>	<b>518</b>	<b>162.9</b>	<b>80.58%</b>	<b>134.5</b>
<b>Total Stage 3+POCI</b>					
<b>5 090</b>					
<b>1 050.6</b>					
<b>49.34%</b>					
<b>521.5</b>					
31.12.2022					
Stage 3	<12 months	1 771	426.6	21.01%	89.6
	13 - 24 months	591	135.1	30.57%	41.3
	25 - 36 months	413	90.3	37.46%	33.8
	37 - 48 months	386	81.8	47.42%	38.8
	49 - 60 months	662	143.9	52.75%	75.9
	61 - 84 months	289	87.3	63.52%	55.5
	> 84 months	528	117.8	77.93%	91.8
	<b>Total Stage 3</b>	<b>4 640</b>	<b>1 082.7</b>	<b>39.41%</b>	<b>426.7</b>
POCI	Non-Default	165	28.4	30.53%	12.4
	<12 months	28	6.4	34.23%	2.2
	13 - 24 months	12	3.3	47.94%	1.6
	25 - 36 months	30	9.4	81.51%	7.6
	37 - 48 months	347	119.6	89.48%	107.1
	49 - 60 months	6	2.1	81.64%	1.7
	61 - 84 months	6	2.7	94.83%	2.5
	> 84 months	13	3.8	93.74%	3.5
	<b>Total POCI</b>	<b>607</b>	<b>175.6</b>	<b>76.80%</b>	<b>138.6</b>
<b>Total Stage 3+POCI</b>					
<b>5 247</b>					
<b>1 258.3</b>					
<b>44.63%</b>					
<b>565.3</b>					

\* EAD after credit risk mitigation and application of the credit conversion factor

\*\* For POCI - current ECL value (not provisions)

In Other Retail portfolio the average 12-month PD for Stage 1/2 decreased only slightly from 4.32% to 4.16%. The average LGD remained stable for both Stage 1/2 (42.69% vs. 42.35% in 2022) and Stage 3/POCI portfolios (57.63% vs. 57.54%), which was achieved due to efficient recovery activities as well as sale actions.

Distribution of non-defaulted portfolio by 12-month PD for Other Retail segment (PLN mln):

31.12.2023									
	PD scale	Gross balance exposure	Off-balance exposure	Number of exposures	Average maturity (yrs.)	EAD*	Average PD (%)	Average LGD (%)	ECL**
Stage 1	0% - 0.14%	436.7	1 990.0	365 957	11.6	2 223.5	0.07%	38.92%	0.6
	0.15% - 0.24%	149.0	308.7	77 834	10.4	430.6	0.18%	38.47%	0.3
	0.25% - 0.49%	470.5	427.7	132 743	9.9	864.8	0.36%	39.27%	1.2
	0.50% - 0.74%	183.1	85.2	29 280	8.1	256.2	0.61%	41.02%	0.6
	0.75% - 2.49%	7 831.4	269.6	967 898	5.0	8 002.8	1.65%	42.04%	53.4
	2.50% - 9.99%	4 590.7	56.8	225 085	6.2	4 683.7	4.87%	46.74%	101.6
	10.00% - 44.99%	627.2	4.9	27 566	6.6	640.9	17.25%	46.48%	48.8
	45.00% - 100.00%	0.0	0.0	2	10.9	0.0	49.84%	39.02%	0.0
	<b>Total Stage 1</b>	<b>14 288.8</b>	<b>3 142.9</b>	<b>1 826 365</b>	<b>6.7</b>	<b>17 102.5</b>	<b>2.79%</b>	<b>42.84%</b>	<b>206.4</b>
Stage 2	0% - 0.14%	9.6	36.7	12 037	11.2	44.6	0.07%	38.59%	0.2
	0.15% - 0.24%	8.1	27.7	6 465	11.4	33.4	0.19%	38.22%	0.7
	0.25% - 0.49%	54.7	73.9	19 753	11.3	123.2	0.38%	39.03%	2.7
	0.50% - 0.74%	25.6	21.3	6 688	11.0	45.1	0.62%	39.51%	1.4
	0.75% - 2.49%	604.2	79.4	72 725	7.0	677.7	1.76%	41.81%	22.2
	2.50% - 9.99%	816.6	32.7	66 691	6.3	844.8	5.18%	42.54%	50.1
	10.00% - 44.99%	563.2	6.7	48 564	5.6	564.6	22.74%	40.30%	84.8
	45.00% - 100.00%	223.1	1.5	13 841	6.2	225.0	69.55%	44.25%	83.5
	<b>Total Stage 2</b>	<b>2 304.9</b>	<b>279.9</b>	<b>246 764</b>	<b>6.8</b>	<b>2 558.5</b>	<b>13.34%</b>	<b>41.65%</b>	<b>245.6</b>
<b>Total Stage 1+2</b>									
<b>16 593.7 3 422.8 2 073 129 6.7 19 660.9 4.16% 42.69% 452.0</b>									
31.12.2022									
Stage 1	0% - 0.14%	328.8	1 685.7	319 441	9.8	1 888.6	0.06%	38.71%	0.4
	0.15% - 0.24%	101.0	247.0	63 342	9.6	334.4	0.20%	37.87%	0.2
	0.25% - 0.49%	505.7	628.2	175 055	8.8	1 090.8	0.36%	38.81%	1.5
	0.50% - 0.74%	476.1	146.8	68 542	6.6	606.2	0.68%	41.75%	1.6
	0.75% - 2.49%	5 163.0	241.8	824 841	4.7	5 294.6	1.73%	40.21%	35.2
	2.50% - 9.99%	5 775.9	78.0	323 539	5.9	5 879.9	4.29%	45.53%	109.1
	10.00% - 44.99%	722.9	6.6	32 738	6.5	738.5	15.93%	46.00%	51.0
	45.00% - 100.00%	0.0	0.0	2	3.3	0.0	69.74%	46.09%	0.0
	<b>Total Stage 1</b>	<b>13 073.4</b>	<b>3 034.1</b>	<b>1 807 500</b>	<b>6.3</b>	<b>15 833.1</b>	<b>2.98%</b>	<b>42.19%</b>	<b>199.1</b>
Stage 2	0% - 0.14%	0.2	1.4	440	9.4	1.4	0.06%	38.48%	0.0
	0.15% - 0.24%	1.5	3.0	1 086	9.3	3.9	0.19%	37.89%	0.0
	0.25% - 0.49%	33.8	56.2	15 154	9.5	86.8	0.41%	39.26%	1.6
	0.50% - 0.74%	32.2	31.2	8 704	9.4	61.5	0.69%	39.38%	1.8
	0.75% - 2.49%	474.4	63.3	47 088	6.6	532.2	1.80%	43.55%	17.5

2.50% - 9.99%	1 016.3	35.1	71 476	6.1	1 045.3	4.78%	44.73%	62.3
10.00% - 44.99%	585.0	8.0	49 057	5.4	585.6	21.09%	41.30%	82.6
45.00% - 100.00%	223.1	1.8	13 893	6.2	226.8	61.08%	44.49%	74.6
<b>Total Stage 2</b>	<b>2 366.4</b>	<b>200.0</b>	<b>206 898</b>	<b>6.3</b>	<b>2 543.5</b>	<b>12.67%</b>	<b>43.34%</b>	<b>240.3</b>
<b>Total Stage 1+2</b>	<b>15 439.8</b>	<b>3 234.1</b>	<b>2 014 398</b>	<b>6.3</b>	<b>18 376.6</b>	<b>4.32%</b>	<b>42.35%</b>	<b>439.5</b>

\* EAD after credit risk mitigation and application of the credit conversion factor

\*\* For Stage 2 - ECL Lifetime

Distribution of Stage 3 and POCI portfolio by time in default for Other Retail segment (PLN mln):

31.12.2023					
	Time in default	Number of exposures	EAD*	Average LGD (%)	ECL**
Stage 3	<12 months	48 166	691.1	45.59%	315.1
	13 - 24 months	24 512	372.6	54.69%	203.8
	25 - 36 months	13 223	229.3	61.00%	139.9
	37 - 48 months	9 431	192.5	70.12%	135.0
	49 - 60 months	5 486	80.3	68.72%	55.2
	61 - 84 months	3 846	38.9	69.26%	26.9
	> 84 months	1 976	19.8	96.88%	19.2
	<b>Total Stage 3</b>	<b>106 640</b>	<b>1 624.6</b>	<b>55.10%</b>	<b>895.1</b>
POCI	Non-Default	2 102	31.7	40.86%	9.1
	<12 months	294	8.7	53.34%	4.6
	13 - 24 months	169	4.4	66.73%	2.9
	25 - 36 months	171	5.5	73.37%	4.0
	37 - 48 months	295	9.8	77.52%	7.6
	49 - 60 months	4 932	153.5	81.75%	125.5
	61 - 84 months	275	9.9	86.28%	8.6
	> 84 months	263	6.0	91.02%	5.4
	<b>Total POCI</b>	<b>8 501</b>	<b>229.5</b>	<b>74.80%</b>	<b>167.8</b>
<b>Total Stage 3+POCI</b>		<b>115 141</b>	<b>1 854.1</b>	<b>57.54%</b>	<b>1 062.9</b>
31.12.2022					
Stage 3	<12 months	45 230	677.6	44.55%	301.8
	13 - 24 months	21 498	357.5	55.34%	197.8
	25 - 36 months	14 818	287.5	65.45%	188.2
	37 - 48 months	8 441	123.7	66.12%	81.8
	49 - 60 months	3 797	42.3	62.79%	26.6
	61 - 84 months	1 870	19.3	71.37%	13.8
	> 84 months	1 607	16.0	94.61%	15.1
	<b>Total Stage 3</b>	<b>97 261</b>	<b>1 523.9</b>	<b>54.15%</b>	<b>825.1</b>
POCI	Non-Default	2 892	49.8	40.90%	14.5
	<12 months	344	9.5	52.05%	4.9
	13 - 24 months	315	9.0	66.99%	6.0
	25 - 36 months	676	17.5	75.88%	13.3
	37 - 48 months	7 922	235.7	78.92%	186.0

49 - 60 months	305	10.5	78.21%	8.2
61 - 84 months	417	11.4	90.15%	10.3
> 84 months	269	6.1	87.69%	5.3
<b>Total POCI</b>	<b>13 140</b>	<b>349.5</b>	<b>72.81%</b>	<b>248.6</b>
<b>Total Stage 3+POCI</b>	<b>110 401</b>	<b>1 873.4</b>	<b>57.63%</b>	<b>1 073.8</b>

\* EAD after credit risk mitigation and application of the credit conversion factor

\*\* For POCI - current ECL value (not provisions)

Slight increase of average 12-month PD for Stage 1/2 from 1.71% to 1.89% of Other Corporate portfolio reflects slightly worse outlook for the year 2024 in terms of default rate. However, drop of the share of Stage 2 portfolio in total performing portfolio, indicates the improvement of structure as for the share of exposures with significant increase of credit risk. The average LGD for Stage 3 decreased from 47.15% to 34.49%, which was achieved mainly due to possession of better value of collaterals.

Distribution of non-defaulted portfolio by 12-month PD for Other Corporate segment (PLN mln):

31.12.2023									
	PD scale	Gross balance exposure	Off-balance exposure	Number of exposures	Average maturity (yrs.)	EAD*	Average PD (%)	Average LGD (%)	ECL**
Stage 1	0% - 0.14%	54.3	9.1	1 066	5.2	62.9	0.12%	22.82%	0.0
	0.15% - 0.24%	41.9	3.7	624	6.0	46.1	0.20%	21.86%	0.0
	0.25% - 0.49%	448.9	1 876.7	4 563	1.6	1 751.4	0.44%	42.56%	3.2
	0.50% - 0.74%	2 386.2	2 480.6	68 402	1.5	3 813.6	0.63%	44.68%	10.6
	0.75% - 2.49%	4 673.4	3 386.3	12 393	2.3	6 587.2	1.37%	41.44%	36.6
	2.50% - 9.99%	2 011.0	742.3	10 243	2.9	2 255.9	3.87%	40.82%	33.5
	10.00% - 44.99%	78.2	1.1	1 060	5.5	80.2	20.30%	22.90%	3.5
	45.00% - 100.00%	0.0	0.0	0	0.0	0.0	0.00%	0.00%	0.0
	<b>Total Stage 1</b>	<b>9 693.8</b>	<b>8 499.9</b>	<b>98 351</b>	<b>2.1</b>	<b>14 597.3</b>	<b>1.54%</b>	<b>42.08%</b>	<b>87.5</b>
Stage 2	0% - 0.14%	0.4	0.5	22	8.0	1.0	0.12%	33.76%	0.0
	0.15% - 0.24%	1.2	0.4	25	4.8	1.5	0.21%	25.85%	0.0
	0.25% - 0.49%	6.2	27.3	163	1.6	24.3	0.45%	44.83%	0.1
	0.50% - 0.74%	39.5	76.1	179	1.1	92.7	0.62%	38.06%	0.3
	0.75% - 2.49%	298.7	256.0	871	1.8	350.8	1.39%	35.28%	2.5
	2.50% - 9.99%	222.5	83.0	1 311	2.3	234.2	5.90%	34.02%	6.8
	10.00% - 44.99%	120.0	1.7	1 890	4.8	121.7	23.45%	24.31%	11.7
	45.00% - 100.00%	31.9	0.2	589	4.7	31.8	59.20%	24.02%	5.7
	<b>Total Stage 2</b>	<b>720.3</b>	<b>445.3</b>	<b>5 050</b>	<b>2.4</b>	<b>858.2</b>	<b>7.79%</b>	<b>33.52%</b>	<b>27.1</b>
<b>Total Stage 1+2</b>									
<b>10 414.1 8 945.2 103 401 2.2 15 455.5 1.89% 41.61% 114.6</b>									
31.12.2022									
Stage 1	0% - 0.14%	48.0	140.3	3 150	5.4	180.9	0.03%	47.53%	0.0
	0.15% - 0.24%	55.9	20.9	1 242	4.8	75.4	0.17%	49.02%	0.1
	0.25% - 0.49%	411.7	1 318.4	2 006	1.0	1 354.2	0.45%	48.62%	3.0
	0.50% - 0.74%	2 986.7	2 798.4	68 914	1.8	4 499.5	0.64%	47.95%	13.7
	0.75% - 2.49%	4 998.6	2 831.9	11 163	2.0	6 447.3	1.42%	45.25%	41.0
	2.50% - 9.99%	2 060.4	749.5	8 610	2.5	2 244.2	3.90%	44.29%	38.1

	10.00% - 44.99%	56.5	1.7	914	4.9	57.7	15.92%	48.30%	4.3
	45.00% - 100.00%	0.0	0.0	0	0.0	0.0	0.00%	0.00%	0.0
	<b>Total Stage 1</b>	<b>10 617.9</b>	<b>7 861.3</b>	<b>95 999</b>	<b>2.0</b>	<b>14 859.3</b>	<b>1.50%</b>	<b>46.29%</b>	<b>100.1</b>
Stage 2	0% - 0.14%	1.3	2.9	74	5.7	4.1	0.05%	47.00%	0.0
	0.15% - 0.24%	5.4	2.0	57	8.1	7.3	0.17%	34.05%	0.1
	0.25% - 0.49%	41.7	145.3	223	0.6	161.2	0.46%	45.30%	0.5
	0.50% - 0.74%	84.8	126.3	163	0.4	180.8	0.60%	38.54%	0.4
	0.75% - 2.49%	344.3	357.6	2 101	1.1	568.5	1.25%	44.28%	4.8
	2.50% - 9.99%	303.6	169.7	1 117	2.2	333.5	5.34%	39.65%	10.9
	10.00% - 44.99%	79.1	4.3	1 229	4.3	79.9	18.68%	48.74%	11.1
	45.00% - 100.00%	17.1	0.0	360	4.0	16.9	65.98%	50.07%	6.3
	<b>Total Stage 2</b>	<b>877.2</b>	<b>808.2</b>	<b>5 324</b>	<b>1.5</b>	<b>1 352.2</b>	<b>3.91%</b>	<b>42.78%</b>	<b>34.1</b>
	<b>Total Stage 1+2</b>	<b>11 495.1</b>	<b>8 669.5</b>	<b>101 323</b>	<b>1.9</b>	<b>16 211.5</b>	<b>1.71%</b>	<b>46.00%</b>	<b>134.2</b>

\* EAD after credit risk mitigation and application of the credit conversion factor

\*\* For Stage 2 - ECL Lifetime

Distribution of Stage 3 and POCI portfolio by time in default for Other Corporate segment (PLN mln):

31.12.2023					
	Time in default	Number of exposures	EAD*	Average LGD (%)	ECL**
Stage 3	<12 months	1 275	253.8	20.92%	53.1
	13 - 24 months	590	36.3	48.94%	17.8
	25 - 36 months	295	12.5	64.94%	8.1
	37 - 48 months	184	48.4	33.20%	16.1
	49 - 60 months	154	33.7	76.48%	25.8
	61 - 84 months	105	5.1	58.71%	3.0
	> 84 months	110	39.2	61.61%	24.2
	<b>Total Stage 3</b>	<b>2 713</b>	<b>429.1</b>	<b>34.49%</b>	<b>148.0</b>
POCI	Non-Default	1	0.3	54.66%	0.0
	<12 months	0	0.0	0.00%	0.0
	13 - 24 months	1	19.6	9.14%	1.8
	25 - 36 months	0	0.0	0.00%	0.0
	37 - 48 months	0	0.0	0.00%	0.0
	49 - 60 months	1	0.0	81.45%	0.0
	61 - 84 months	1	8.3	19.88%	1.7
	> 84 months	0	0.0	0.00%	0.0
	<b>Total POCI</b>	<b>4</b>	<b>28.2</b>	<b>12.82%</b>	<b>3.4</b>
	<b>Total Stage 3+POCI</b>	<b>2 717</b>	<b>457.3</b>	<b>33.15%</b>	<b>151.4</b>
31.12.2022					
Stage 3	<12 months	1 306	108.8	40.99%	44.6
	13 - 24 months	587	34.2	44.75%	15.3
	25 - 36 months	263	77.1	43.50%	33.5
	37 - 48 months	204	55.6	58.47%	32.5
	49 - 60 months	115	14.0	29.53%	4.1



	61 - 84 months	61	20.7	23.96%	5.0
	> 84 months	113	32.0	82.55%	26.4
	<b>Total Stage 3</b>	<b>2 649</b>	<b>342.4</b>	<b>47.15%</b>	<b>161.4</b>
<b>POCI</b>	Non-Default	0	0.0	0.00%	0.0
	<12 months	1	21.4	14.64%	3.1
	13 - 24 months	1	0.4	71.87%	0.3
	25 - 36 months	0	0.0	0.00%	0.0
	37 - 48 months	1	0.0	80.50%	0.0
	49 - 60 months	0	0.0	0.00%	0.0
	61 - 84 months	0	0.0	0.00%	0.0
	> 84 months	0	0.0	0.00%	0.0
	<b>Total POCI</b>	<b>3</b>	<b>21.8</b>	<b>15.74%</b>	<b>3.4</b>
	<b>Total Stage 3+POCI</b>	<b>2 652</b>	<b>364.2</b>	<b>45.27%</b>	<b>164.9</b>

\* EAD after credit risk mitigation and application of the credit conversion factor

\*\* For POCI - current ECL value (not provisions)

Compared to the year 2022, the average 12-month PD for Stage 1/2 in Leasing increased from 3.93% to 4.28%. There was observed improvement of the average LGD for Stage 1/2 (21.25% vs. 23.01% in 2022). The average Stage 3 LGD increased from 23.97% to 28.83% which is the effect changing structure in terms of time in default.

Distribution of non-defaulted portfolio by 12-month PD for Leasing segment (PLN mln):

31.12.2023									
	PD scale	Gross balance exposure	Off-balance exposure	Number of exposures	Average maturity (yrs.)	EAD*	Average PD (%)	Average LGD (%)	ECL**
<b>Stage 1</b>	0% - 0.14%	195.8	0.0	1 359	2.9	195.8	0.08%	20.50%	0.0
	0.15% - 0.24%	103.0	0.0	829	2.7	103.0	0.20%	21.35%	0.0
	0.25% - 0.49%	303.7	0.0	3 362	2.7	303.7	0.36%	22.69%	0.2
	0.50% - 0.74%	354.3	0.0	2 964	2.9	354.3	0.61%	21.53%	0.4
	0.75% - 2.49%	1 082.7	0.0	9 987	3.0	1 082.7	1.57%	23.94%	4.0
	2.50% - 9.99%	3 674.8	0.0	37 972	3.1	3 674.8	4.30%	20.81%	29.9
	10.00% - 44.99%	3.2	0.0	56	3.2	3.2	18.13%	15.86%	0.1
	45.00% - 100.00%	0.0	0.0	0	0.0	0.0	0.00%	0.00%	0.0
	<b>Total Stage 1</b>	<b>5 717.6</b>	<b>0.0</b>	<b>56 529</b>	<b>3.0</b>	<b>5 717.6</b>	<b>3.13%</b>	<b>21.54%</b>	<b>34.7</b>
<b>Stage 2</b>	0% - 0.14%	0.8	0.0	33	0.6	0.8	0.08%	5.35%	0.0
	0.15% - 0.24%	1.1	0.0	29	1.2	1.1	0.19%	14.48%	0.0
	0.25% - 0.49%	6.5	0.0	140	1.1	6.5	0.37%	12.29%	0.0
	0.50% - 0.74%	5.8	0.0	64	2.1	5.8	0.60%	19.61%	0.0
	0.75% - 2.49%	66.7	0.0	884	2.0	66.7	1.62%	22.07%	0.3
	2.50% - 9.99%	336.7	0.0	2 984	2.9	336.7	4.69%	18.86%	4.0
	10.00% - 44.99%	77.2	0.0	718	2.7	77.2	35.62%	15.64%	4.3
	45.00% - 100.00%	88.0	0.0	882	3.2	88.0	52.64%	16.86%	7.6
	<b>Total Stage 2</b>	<b>582.8</b>	<b>0.0</b>	<b>5 734</b>	<b>2.8</b>	<b>582.8</b>	<b>15.58%</b>	<b>18.41%</b>	<b>16.3</b>
	<b>Total Stage 1+2</b>	<b>6 300.3</b>	<b>0.0</b>	<b>62 263</b>	<b>3.0</b>	<b>6 300.3</b>	<b>4.28%</b>	<b>21.25%</b>	<b>51.0</b>

31.12.2022									
Stage 1	0% - 0.14%	330.1	0.0	3 894	2.9	330.1	0.08%	23.30%	0.1
	0.15% - 0.24%	61.0	0.0	870	2.6	61.0	0.17%	19.35%	0.0
	0.25% - 0.49%	586.9	0.0	4 287	3.5	586.9	0.36%	23.90%	0.5
	0.50% - 0.74%	73.3	0.0	1 780	1.5	73.3	0.64%	20.33%	0.1
	0.75% - 2.49%	1 280.7	0.0	11 458	3.0	1 280.7	1.55%	24.94%	4.7
	2.50% - 9.99%	3 715.0	0.0	36 508	3.3	3 715.0	3.47%	22.65%	27.8
	10.00% - 44.99%	3.7	0.0	58	3.6	3.7	15.16%	18.12%	0.1
	45.00% - 100.00%	4.1	0.0	4	4.7	4.1	62.18%	31.42%	0.7
	<b>Total Stage 1</b>	<b>6 054.7</b>	<b>0.0</b>	<b>58 859</b>	<b>3.2</b>	<b>6 054.7</b>	<b>2.56%</b>	<b>23.23%</b>	<b>34.0</b>
Stage 2	0% - 0.14%	1.0	0.0	33	0.9	1.0	0.07%	6.80%	0.0
	0.15% - 0.24%	1.6	0.0	41	1.6	1.6	0.18%	9.65%	0.0
	0.25% - 0.49%	10.1	0.0	156	2.4	10.1	0.33%	16.72%	0.0
	0.50% - 0.74%	5.7	0.0	129	1.3	5.7	0.57%	19.61%	0.0
	0.75% - 2.49%	81.3	0.0	859	2.4	81.3	1.40%	18.67%	0.4
	2.50% - 9.99%	369.1	0.0	3 134	3.1	369.1	3.76%	21.85%	6.5
	10.00% - 44.99%	37.3	0.0	499	2.9	37.3	27.52%	21.06%	2.4
	45.00% - 100.00%	126.0	0.0	1 281	2.9	126.0	65.34%	20.12%	18.2
	<b>Total Stage 2</b>	<b>632.1</b>	<b>0.0</b>	<b>6 132</b>	<b>2.9</b>	<b>632.1</b>	<b>17.04%</b>	<b>20.89%</b>	<b>27.5</b>
<b>Total Stage 1+2</b>		<b>6 686.7</b>	<b>0.0</b>	<b>64 991</b>	<b>3.2</b>	<b>6 686.7</b>	<b>3.93%</b>	<b>23.01%</b>	<b>61.6</b>

\* EAD after credit risk mitigation and application of the credit conversion factor

\*\* For Stage 2 - ECL Lifetime

Distribution of Stage 3 and POCI portfolio by time in default for Leasing segment (PLN mln):

31.12.2023					
	Time in default	Number of exposures	EAD*	Average LGD (%)	ECL**
Stage 3	<12 months	2 385	249.9	24.05%	60.1
	13 - 24 months	869	46.9	42.84%	20.1
	25 - 36 months	219	6.3	67.34%	4.2
	37 - 48 months	118	4.1	100.00%	4.1
	49 - 60 months	0	0.0	0.00%	0.0
	61 - 84 months	0	0.0	0.00%	0.0
	> 84 months	0	0.0	0.00%	0.0
	Total Stage 3	3 591	307.3	28.83%	88.6
POCI	Non-Default	0	0.0	0.00%	0.0
	<12 months	0	0.0	0.00%	0.0
	13 - 24 months	0	0.0	0.00%	0.0
	25 - 36 months	0	0.0	0.00%	0.0
	37 - 48 months	0	0.0	0.00%	0.0
	49 - 60 months	0	0.0	0.00%	0.0
	61 - 84 months	0	0.0	0.00%	0.0
	> 84 months	0	0.0	0.00%	0.0
	Total POCI	0	0.0	0.00%	0.0
Total Stage 3+POCI		3 591	307.3	28.83%	88.6
31.12.2022					
Stage 3	<12 months	2 966	262.5	22.02%	57.8
	13 - 24 months	164	7.9	62.74%	5.0
	25 - 36 months	95	1.8	70.69%	1.3
	37 - 48 months	245	1.6	100.00%	1.6
	49 - 60 months	0	0.0	0.00%	0.0
	61 - 84 months	0	0.0	0.00%	0.0
	> 84 months	0	0.0	0.00%	0.0
	Total Stage 3	3 470	273.8	23.97%	65.6
POCI	Non-Default	0	0.0	0.00%	0.0
	<12 months	0	0.0	0.00%	0.0
	13 - 24 months	0	0.0	0.00%	0.0
	25 - 36 months	0	0.0	0.00%	0.0
	37 - 48 months	0	0.0	0.00%	0.0
	49 - 60 months	0	0.0	0.00%	0.0
	61 - 84 months	0	0.0	0.00%	0.0
	> 84 months	0	0.0	0.00%	0.0
	Total POCI	0	0.0	0.00%	0.0
Total Stage 3+POCI		3 470	273.8	23.97%	65.6

\* EAD after credit risk mitigation and application of the credit conversion factor

\*\* For POCI - current ECL value (not provisions)

## 11.4. OTHER RISKS

### Market Risk and Interest Rate Risk in the Banking Book (IRRBB)

The market risk encompasses current and prospective impact on earnings or capital, arising from changes in the value of the Group's portfolio due to adverse market movement (prices).

The interest rate risk arising from Banking Book activities (IRRBB) encompasses current or prospective impact to both the earnings and the economic value of the Group's portfolio arising from adverse movements in interest rates that affect interest rate sensitive instruments. The risk includes gap risk, basis risk and option risk.

The framework of market risk and interest rate risk management and its control are defined on a centralized basis with the use of the same concepts and metrics which are used in all the entities of the BCP Group.

The main measure used by the Group to evaluate market risks is the parametric VaR (Value at Risk) model - an expected loss that may arise on the portfolio over a specified period (holding period) with a required probability (confidence level) due to an adverse market movement. The market risk measurement is carried out daily (intra-day and end-of-day), both on an individual basis for each of the areas responsible for risk taking and risk management, and in consolidated terms for Global Bank, Banking Book and Trading Book considering the effect of the diversification that exists between the portfolios. In addition, each Book is divided into the risk management areas.

In 2023, the VaR limits were not breached for Global Bank nor for Trading and Banking Book. It should be noted that the value at risk in Banking Book is complementary risk measurement tool. All excesses of market risk limits are always reported, documented, and ratified at the proper competence level.

Within the current market environment, the Group continued to act very prudently. In 2023, open positions mostly included interest-rate instruments and FX risk instruments. In 2023, the VaR indicators for the Group remained on average at the level of PLN317.2mn (58 per cent of the limit) and PLN270.0mn (50 per cent of the limit) as of the end of December 2023. The current limits in place have been valid since 1<sup>st</sup> October 2023 and remains conservative - level for Global Bank no more than PLN537.7mn and for Trading Book no more than PLN19.4mn. FX open position (Intraday as well as Overnight) remained below 2 per cent of The Own Funds and well below the maximum limits in place.

Apart from daily measurement at the level of each book and market risk area, the VaR model is mainly applicable and analysed at the Trading Book level, where the policy intention is to trade positions on the regular basis (mostly daily). On contrary, following the supervisory guidelines, the interest rate risk in Banking Book is mainly covered by both earnings-based and economic value measures, by measuring:

- the impact on the net interest income over a time horizon of next 12 months resulting from one-off interest rate shock of upward/downward yield curve shift by 100 basis points,
- the impact on net interest income over a time horizon of next 12 months resulting from supervisory outlier test (SOT) shocks including parallel up and parallel down scenarios,
- the impact on the economic value of equity (EVE) resulting from 100 bps upward/downward yield curve movements,
- the impact on the economic value of equity (EVE) resulting from different upward/downward basis points shocks, including scenarios defined by the supervisor (standard, supervisory test assuming sudden parallel +/-200 basis points shift of the yield curve as well supervisory outlier test - SOT with set of six interest rate risk stress scenarios).

Exposure to interest rate risk in the Banking Book are primarily generated by the differences in repricing dates of assets and liabilities as well as its reference indexes, if contractually existing. Regarding EVE measures, it is specifically affected by the unbalance between assets and liabilities that have fixed rate and correspondent maturities. In case of low interest rates, significant impact is tied to liabilities which cannot have interest rate lower than 0. Consequently, the level of sensitivity

to interest rate changes is influenced by the level of interest rates taken as a reference. Additionally, due to specificity of the Polish legal system, the interest rate of credits is limited (it cannot exceed two times Reference Rate of the National Bank of Poland increased by 7 percentage points). In situations of decreasing interest rates, the impact on Net Interest Income is negative and depends on the share of the loan portfolio that is affected by the maximum rate. On the other hand, assumptions regarding the timing and size of deposits repricing are also especially important when assessing the interest rate sensitivity and risk.

The results of the IRRBB measurement as of the end of December 2023 indicate that the Group is the most exposed to scenarios of interest rates increase in case of EVE metrics and interest rates decrease in case of NII metrics. In case of supervisory outlier test for EVE, results as of December 2023 show that even under the most severe outlier test scenario, the decline of EVE for Banking Book is below supervisory limit of 15% of Tier 1 Capital.

The results of sensitivity of NII for the next 12 months after 31<sup>st</sup> December 2023 and for position in Polish Zloty in Banking Book are carried out under the following assumptions:

- static balance sheet structure as of that reference date (no change during the following 12 months),
- reference level of net interest income assuming that all assets and liabilities with variable interest rate already reflect market interest rates levels as of 31<sup>st</sup> December 2023 (for example, the NBP Reference rate at the end of 2023 was set at 5.75%),
- application of a parallel move of 100bp in the yield curve up and down is an additional shock to all market interest rates levels as of 31<sup>st</sup> December 2023 and is set at the repricing date of the assets and liabilities that happens during the 12 following months

In a scenario of parallel decrease of interest rates for position in Polish Zloty by 100 bps, the results are negative and equal to -PLN67mn or -1.3% of the Group's NII reference level. In a scenario of parallel increase of interest rates for position in Polish Zloty by 100bp, the results are positive and equal to PLN46mn or 0.9% of the Group's NII reference level. The results show that the Group is now in balanced situation in the scenario of a decline or increase in interest rates. There is a slight asymmetry between scenarios of decrease and increase of interest rates of Polish Zloty, mostly attributed to part of deposit portfolio with low interest.

For positions in all significant currencies (PLN, CHF, EUR, USD) the impact of parallel decrease of interest rates by 100bp is equal to -PLN136mn or -2.59% of the Group's NII reference level. In a scenario of parallel increase of interest rates by 100 bps, the results are positive and equal to PLN108mn or 2.06% of the Group's NII reference level.

More information on market risk and interest rate risk management can be found in chapter 8.4 of the Annual Consolidated Report of the Bank Millennium S.A. Capital Group for the 12-month period ending 31<sup>st</sup> December 2023.

### Liquidity risk

Liquidity risk reflects the possibility of incurring significant losses because of deteriorated financing conditions (financing risk) and/or of the sale of assets for less than their market value (market liquidity risk) to meet the funding needs arising from the Group's obligations.

The process of the Group's planning and budgeting covers the preparation of a Liquidity Plan to make sure that the growth of business will be supported by an appropriate liquidity financing structure and supervisory requirements in terms of quantitative liquidity measures will be met.

In 2023, the Group continued to be characterized by solid liquidity position. All the supervisory and internal liquidity indicators remained significantly above minimum limits in place. The steps taken as part of standard and binding risk management procedures have proved sufficient for managing liquidity in the current market environment. In 2023, in consequences of the increase of the deposits from Customers at the faster pace than loans, there was further improvement of the Group's Loan-

to-Deposit ratio to 69 per cent at the end of December 2023 (comparing to level of 78 per cent as of end of December 2022).

The liquid assets portfolio is treated by the Group's as liquidity reserve, which will overcome crisis situations. This portfolio consists of liquid debt securities issued or guaranteed by Polish government, other EU's sovereigns, European Union, and multilateral development banks', supplemented by the cash and exposures to the National Bank of Poland. At the end of 2023, the share of liquid debt securities (including NBP Bills) in total securities portfolio amounted to 99.9% and allowed to reach the level of approx. PLN40.9bn (33 per cent of total assets), whereas at the end of December 2022 was at the level of approx. PLN20.4bn (18 per cent of total assets).

Main liquidity ratios	31.12.2023	31.12.2022
Loans/Deposits ratio (%)	69%	78%
Liquid assets portfolio (PLN mn)*	41 529	24 349
Liquidity Coverage requirement, LCR (%)	327%	223%
Net Stable Funding Ratio, NSFR (%)	180%	156%

(\*) Liquid Assets Portfolio: The sum of cash, nostro balance (reduced by the required obligatory reserve), unencumbered liquid securities portfolio, NBP-Bills and short-term, due from banks (up to 1 month).

Consequently, the large, diversified, and stable funding from retail, corporate and public sector Clients remains the main source of financing of the Group. At the end of 2023, the source of medium-term funding included subordinated debt, own EUR bonds issue and securitization of loan and leasing portfolios. The Group manages its FX liquidity using FX-denominated deposits, own issue of EUR bonds as well as Cross Currency Swap and FX Swap transactions. The importance of swaps has been decreasing because of the reduction of the FX mortgage loan portfolio and the hedge in foreign currency of most of the provisions for legal risk. The swaps portfolio is diversified in term of counterparties. For most counterparties, the Bank has signed a Credit Support Annex to the master agreements.

The estimation of the Group's liquidity risk is carried out both with the use of the ratios defined by the supervisory authorities and own indicators, for which exposure limits were also established.

According to the final provisions of CRD V/CRR II package, the Group is calculating the liquidity coverage requirement (LCR) and the net stable funding ratio (NSFR). The regulatory minimum of 100% for both LCR and NSFR was compiled by the Group. LCR improved substantially during 2023 and reached the level of 327% at the end of December 2023 (223% as of the end of December 2022). The increase was mainly connected with increase of deposit from retail Clients, which was invested in liquid assets portfolio. The measure is calculated daily and has been reported on the monthly basis to NBP since March 2014. Internally, the LCR is estimated daily and reported to the areas responsible for the management and control of the liquidity risk in the Group. NSFR is monitored and reported monthly. In 2023, the NSFR was above the supervisory minimum of 100% (supervisory minimum valid since June 2021). NSFR reached the level of 180% at the end of December 2023 (156% as of the end of December 2022)

Additionally, the Group employs an internal structural liquidity analysis based on cumulative behaviour liquidity gaps. In 2023 all the liquidity gaps were maintained positive. The safe level adopted by the Group for the ratio of liquidity shortfall is established for each time bucket below 5 years at the level of 12 per cent of total assets.

Liquidity stress tests are performed at least quarterly, to understand the Group's liquidity-risk profile and to ensure that the Group can fulfil its obligations in the event of a liquidity crisis and to update the Liquidity Contingency Plan and management decisions. As of December 2023, the results of the stress test analysis demonstrated that liquidity position is not threatened as even in the most severe scenario the survival period is still significantly above the limit of 3 months.



The liquidity risk management process is regulated in the internal policy that is a subject of the Bank's Management Board approval.

The Group has also emergency procedures for situations of increased liquidity risk - the Liquidity Contingency Plan. The Liquidity Contingency Plan establishes the concepts, priorities, responsibilities, and specific measures to be taken in the event of a liquidity crisis. The Liquidity Contingency Plan is tested and revised at least once a year. The revised Plan was approved by the Supervisory Board in November 2023.

More information on liquidity risk management can be found in chapter 8.5 of the Annual Consolidated Report of the Bank Millennium S.A. Capital Group for the 12-month period ending 31<sup>st</sup> December 2023.

### **Operational risk**

Operational risk management is based on the processes structure implemented in the Group and overlapping the traditional organizational structure. Current management of the specific processes, including the management of the profile of process operational risk, is entrusted to Process Owners, who report to all other units participating in the risk management process and are supported by these units.

To manage the fraud risk, the Group has in its structure a special organizational unit to develop, implement and monitor the Group's policy for management of this risk in cooperation with other organizational units of the Group and in accordance with its internal regulations. Fraud Risk Management Sub-unit in the Security Department is a centre of competence for the fraud prevention process.

### **Non-compliance risk**

Lack of compliance of the Bank's operations with binding laws, internal regulations, and market standards is linked with the risk of legal and regulatory sanctions, material, or reputation losses. Therefore, it is one of the areas threatening the banking activity. By monitoring compliance with both internal and external regulations, Bank Millennium considers it to be particularly important:

- Preventing money laundering and financing of terrorism,
- Ensuring consistency of Bank Millennium's internal normative acts with binding laws as well as recommendations issued by supervisory authorities,
- Counteracting and managing conflicts of interest,
- Counteracting corruption,
- Observance of ethical principles,
- Monitoring personal transactions and protecting confidential information related to Bank Millennium, financial instruments issued by the Bank as well as information connected with purchase/sale of such instruments,
- Monitoring and ensuring compliance of products and services, including investment products and services covered by MiFID II Directive.

Bank Millennium undertakes appropriate actions for the purpose of ongoing and continuous tracking of changes occurring in binding legal regulations as well as recommendations and guidance given by supervisory authorities, both national as well as of the European Union. To ensure compliance of the Bank's operation with the applicable laws, the Compliance Department undertakes several activities such as:

- 1) informing about changes in law,
- 2) analysis of internal normative acts binding at the Bank in terms of compliance with applicable laws and standards,

- 3) analysing new products and services and changes in products and services,
- 4) measuring compliance risk in processes operating at the Bank,
- 5) participating in key implementation projects, and
- 6) staff training.

The Bank's operations may generate a conflict of interest between Bank's interests and the interests of Customers. The Bank's main principle is to take all reasonable steps to identify a conflict of interest between the Bank and its Customers, as well as between individual Customers, and to establish rules ensuring that such conflicts have no adverse impact on Customers' interests.

The Bank Millennium Group undertakes also appropriate actions to ensure conduct concerning personal transactions, which is compliant with standards and laws. These actions and measures are meant to, according to the circumstances, to restrict or prevent performance of personal transactions by relevant persons in situations, which may cause a conflict of interest or be involved with access to confidential information or to data about Customers' transactions.

Shares of Bank Millennium are admitted to public trading on the Warsaw Stock Exchange. Such status requires special attention and observance of the obligation to maintain highest standards for transparency of financial markets. The policy of Bank Millennium is to maintain strict control as regards protection of the flow of confidential information (including in accordance with the requirements of Regulation No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on abuses on the market abuse, MAR). The Bank prohibits the use and disclosure of confidential information in any form. Purchasing and selling by persons discharging managerial responsibilities, of the Bank's shares, debt instruments of the Bank or derivatives or other financial instruments linked to them is forbidden during closed periods.

The Anti-Money Laundering and Counter Terrorism Financing programme (AML/CTF), applied by the Bank Millennium, is a comprehensive system of identification of threats related to money laundering crimes.

Actions launched under this programme include in particular:

- application of financial security measures to Customers, depending on the degree of risk and based on „*Know your Client*” or (KYC) principle - the key concept of the program,
- transaction registration and reporting,
- identification of suspicious transactions,
- cooperation with the General Inspector of Financial Information.

Bank Millennium adjusts its reports to the analysis of suspected transactions on the on-going basis, considering up-to-date patterns (sectors, cash-flow routes, Customer behaviour) for effective identification and reporting of transactions suspected of money laundering. Implemented internal procedures, organizational solutions and employee training programmes ensure efficient operation of the programme.

Bank Millennium, with view to protecting Customers who invest their funds in investment products with varied degree of risk, strictly monitors compliance of these products, their offering and handling process with relevant internal regulations, laws, and external guidelines - on the domestic and European Union level. A specific compliance monitoring programme also covers consumer loans and insurance products (including insurance - investment products) addressed to consumers.

The Bank Millennium has mechanisms and internal regulations allowing for anonymous reporting of violations of law and internal regulations and ethical standards (the so-called whistleblowing) to the Chairman of the Management Board, and in the case of notification concerning a Member of the Management Board - to the Supervisory Board. The Bank Millennium will verify each application, ensuring that the reporting person will be protected by acts of repressive, discriminatory, and unfair nature.

## 12. HUMAN RESOURCES MANAGEMENT

### 12.1. PERSONNEL POLICY

Bank Millennium Group implements a human resources policy defining general principles related to recruitment, evaluation, development and retention of employees. On the basis of this Policy and business assumptions, the Bank has developed a Human Resources Management strategy. The strategy regulates all areas of human resources management, including employment and remuneration.

The HR policy and the human resources management strategy based on it support the business needs of the Bank Millennium Group and create a friendly, development-friendly and safe workplace.

#### Friendly workplace

Bank Millennium creates a good working environment for employees regardless of gender, age, race, religion, nationality, ethnic origin, disability, political beliefs, trade union membership and sexual orientation, who find conditions for professional development in an atmosphere of cooperation and mutual respect.

As a result, in 2023 Bank Millennium became a laureate of a number of awards, which can be found in chapter 10 of this report. The Bank was recognized for its activities for the benefit of employees, responsible management, supporting diversity and sustainable development.

**Bank and Bank Millennium Group also reward their employees.**

- In 2023, the **IMPAKT Employee Rewards Program**, in which employees reward their colleagues, was continued. The program integrates the community, builds a culture of cooperation and mutual appreciation. In 2023, 50 employees were awarded for their commitment, quality improvement, innovative solutions and taking on challenges that inspire others.
- Once a year, the best employees and managers are awarded the **Chairman's Award** for outstanding professional achievements. In 2023, they were distributed to 14 employees from the head office and sales network.

#### Competence development

The Bank continued to implement extensive training programs for business lines, in particular those that enable both *on-boarding* of new employees and ensure their development during their work in the organization. The trainings were addressed in particular to employees of retail and franchise networks, direct banking employees, corporate banking advisors, affluent client banking and people involved in the sale of insurance products. They covered a wide variety of issues necessary for the effective performance of tasks, in particular issues related to sales techniques, customer service models and knowledge of the Bank's products and systems.

The Bank attaches particular importance to the quality of management. Consequently, for several years, *M#leaders*, a leadership skills development program has been implemented. The programme is based on John Maxwell's methodology used in the Bank Millennium Group and includes several dozen hours of workshops at the basic and advanced level. A separate managerial certification program supporting managers of retail outlets is implemented in retail banking.

The Bank also supports the development of managers through access to the Youniversity platform. Managers develop their competencies by using access to the streaming service and knowledge in more than 57 subject areas useful to the manager. New series and video courses appear even several times a month.

The Bank conducted a programme of lectures as part of the Millennium Campus, which was highly appreciated by its employees. The lecturers in this program were recognized experts from the world of science and business, as well as high-class specialists from the Bank. The offer to participate in the

program is addressed to all employees and allows them to look at many topics from a different perspective. Lectures are conducted online, recordings with additional materials are made available on the training platform and on the "Millennium World" intranet.

The purpose of establishing the "Development Fridays" program was to support the exchange of knowledge and experience of employees. The speakers are Bank Millennium Group specialists and the offer to participate in the programme is addressed to all employees. Lectures are conducted online, recordings with additional materials are made available on the training platform and on the "Millennium World" intranet.

Bank Millennium Group also supports employee development through a wide range of e-learning courses. The Bank uses a specialized platform that enables the management of both the content and the course of training processes.

Interested employees can develop their interests using access to the Legimi platform, which allows them to use the offer of over 75,000 e-books and audiobooks. The platform is available to employees on mobile devices (tablets, e-readers, smartphones) and personal computers.

### Support for the development of digital technologies

Bank Millennium is one of the most modern banks on the market, which is based on the development of information technologies. In 2023, it was awarded the title of the best bank in the area of digital solutions in Poland. The distinction was awarded in this year's edition of the ranking prepared by the editors of Euromoney magazine. The authors of the ranking appreciated Bank Millennium's activities aimed at meeting the changing needs of customers and constantly improving its digital offer, especially the mobile application.

The Bank is constantly maintaining and developing large teams of IT specialists in various fields.

### Diversity policy

When implementing the Diversity Policy, the Bank acts with respect for human dignity and observes the right to equal treatment regardless of age, gender, ethnic and national origin, religion, denomination, family status, sexual orientation, health condition, beliefs, trade union membership and other premises exposing to discriminatory behaviour. The Bank is also a signatory of the **Diversity Charter**, which is a commitment signed by organizations that decide to prohibit discrimination in the workplace and work to create and promote diversity. Respect for diversity in the Bank's Group is also regulated by the **Code of Ethics**, the **Work By-laws** and recruitment regulations. The implementation of these policies has resulted in a number of actions:

- All employees undergo **mandatory training on ethical issues**. In addition, **the managerial staff is trained in counteracting mobbing and discrimination in employment**. The Bank has **anti-mobbing and anti-discrimination procedures in place**. There is a system for reporting abuse that is independent of the service hierarchy.
- **When recruiting employees, there are no criteria that expose them to discriminatory behaviour**. These rules also apply to termination of employment, terms and conditions of employment, promotion and access to training to improve professional qualifications. Job candidates are selected on the basis of objective criteria, such as, in particular: education, professional experience, general and specific competences, knowledge of foreign languages and general fit to the profile.
- The Bank analyses the structure of remuneration and **equality in access to salaries and positions on an ongoing basis** due to gender, age and nationality. Periodically, interviews are conducted with people leaving the Bank in order to determine the reasons for leaving.
- Extensive communication and support is addressed to employees - parents. The Bank informs about their parental rights under the **Parents for Yes programme**.

- **Benefits such as medical care, group insurance,** sports and recreation subsidies are offered to all employees, including those who work part-time. The Bank encourages employees to take their holidays.
- **The Bank supports people in a difficult** financial and health situation through the existing social assistance system based on the Company Social Benefits Fund.
- **People with disabilities** can use office infrastructure adapted to their abilities.
- The Bank regularly conducts **managerial trainings** aimed at strengthening appropriate attitudes - including overcoming stereotypes and promoting openness to diverse beliefs of employees and shaping their own and subordinates' responsibility.
- Employees have the opportunity to **freely present their opinions** in internal online forums.

In Bank Millennium, women constitute the majority of employees - approx. 66%. Their share in the broadly understood management staff of the Bank (starting from the position of branch manager) amounted to approximately 54%. Although the share of women in senior management has been increasing in recent years, they are still under-represented, accounting for only 29% of this group.

The Bank's strategy, including, for example, building service units for foreigners working in Poland, also serves to increase the diversity of employees in terms of nationality: in 2023, 40 foreigners were employed.

The age structure of the workforce is relatively balanced, with both newcomers and those at the end of their careers. The largest group of employees are people between 30 and 50 years of age - over 65%. Young people up to 30 years of age - 21%.

In connection with the long-term development strategy, the Bank will strive to further take into account diversity in the field of competences and professional experience of employees in its human resources management policy.

## 12.2. EMPLOYMENT AND PERSONNEL COSTS

Effectiveness of human resources management is an important element of Bank Millennium Group's strategy. The Group monitors both individual items of personnel costs and the level of FTEs, and has been pursuing a policy of a stable level of employment for several years. Employee turnover is monitored and reported on an ongoing basis. The level of employment and the efficiency of the use of resources are verified using relevant market benchmarks.

<b>Employment in the Group</b> <i>(full-time)</i>	<b>31.12.2023</b>	<b>31.12.2022</b>	<b>Change (YoY)</b>
Number of employees of the Bank	6 460	6 578	-118
- including key staff	172	173	-1
Subsidiaries	287	282	6
<b>Total Bank Group</b>	<b>6 747</b>	<b>6 860</b>	<b>-112</b>

Employment in Bank Millennium Group at the end of 2023 reached 6,747 FTEs, which means a decrease by 112 FTEs (i.e. by 1.6%) compared to the end of 2022. Bank Millennium is the largest employer in the Group, employing 6,460 FTEs at the end of 2023. At the end of the year, the subsidiaries of Bank Millennium Group employed a total of 287 FTEs, of which the most important were the following companies: Millennium Leasing, Millennium TFI and Millennium Bank Hipoteczny.

<b>Employment in the Bank</b> <i>(full-time)</i>	<b>31.12.2023</b>	<b>31.12.2022</b>	<b>Change (YoY)</b>
Outlets & Direct Sales	3 962	4 105	-143
Headquarter	2 498	2 473	25
<b>Total Bank Millennium</b>	<b>6 460</b>	<b>6 578</b>	<b>-118</b>

The employment structure of Bank Millennium shows a definite predominance of people employed directly in the sale of banking products and services, including primarily in the Bank's branch network scattered throughout the country.

<b>Employment in the Bank</b> <i>(full-time)</i>	<b>31.12.2023</b>	<b>31.12.2022</b>	<b>Change (YoY)</b>
Direct Banking	806	814	-8
Digital Technologies	666	644	22
Retail & Corporate Banking	3 156	3 291	-135
Support Units	1 832	1 829	2
<b>Total Bank Millennium</b>	<b>6 460</b>	<b>6 578</b>	<b>-118</b>

The Bank Millennium Group's remuneration policy is aimed at ensuring the adequacy of employees' remuneration to the currently performed tasks, competences and responsibilities. In particular, great importance is attached to the proper formation of the basic salary. Salary levels are reviewed taking into account the periodic performance assessment and the possible evolution of the level of skills involved in the implementation of the organization's tasks. Financial market remuneration benchmarks are also taken into account in the analyses..

The total level of personnel costs in Bank Millennium Group in 2023 and in the previous year was as follows:

<b>Personnel costs</b> <i>(in PLN million)</i>	<b>2023</b>	<b>2022</b>	<b>Change (YoY)</b>
Bank Millennium	982.4	865.4	13.5%
Subsidiaries	52.3	50.8	3.0%
<b>Total Bank Millennium Group</b>	<b>1 034.6</b>	<b>916.1</b>	<b>12.9%</b>

### 12.3. REMUNERATION POLICY

The Bank Millennium Group has in place the "Employee Remuneration Policy in the Bank Millennium Group", which formulates the assumptions used in shaping the components of fixed and variable remuneration for all employees of the Group.

According to the policy, the main source of income for employees is the basic salary resulting from the employment contracts. Variable remuneration is an additional, motivational element of the total remuneration. The basic salary of an employee is determined in relation to the tasks performed in a given organizational unit, the scope of responsibility, qualifications, impact on the company's risk profile and on the basis of an analysis of salary information presented in salary surveys on the financial market.

The Bank regularly reviews salaries and positions are held. On the basis of the assessment of the Group's financial condition and the business environment, the Bank's Management Board may decide to allocate a pool of funds to be used to change the basic salaries of employees. Salary levels are verified taking into account periodic assessment of work performance, skills and are compared with market salary information.



Variable remuneration is shaped as part of various bonus systems aimed at motivating employees to achieve business and organizational goals. Bonus systems and periodic evaluation criteria in Bank Millennium Group are tailored to the specifics of employees' activities in individual areas of the Group. The amount of bonus budgets granted for bonus payments is determined after the analysis of capital and liquidity ratios and depending on the degree of achievement of Bank Millennium's operating results. In the case of employees of business lines, budgets can also be linked to the achievement of the objectives of individual lines. It is assumed that individual bonuses may not exceed 100% of the total annual basic salary. Individual bonuses are awarded as part of a variable remuneration pool based on the assessment of the quality of work and the degree of commitment to achieving the goals set for employees.

Bank Millennium Group attaches importance to the proper remuneration of employees in managerial positions who are classified as *Risk Takers*. The rules for awarding variable remuneration for Members of the Management Board of Bank Millennium and other *Risk Takers* are included in the "Remuneration policy for employees having a material impact on the risk profile in the Bank Millennium SA Group". The policy is reviewed annually.

The bonus pool for *Risk Takers* is determined after prior analysis of the Bank's situation in terms of:

- Bank Millennium Group's results,
- the level of the capital adequacy ratio at the individual and consolidated level,
- level of risk ratios relating to the liquidity of Bank Millennium Group.

The performance appraisal includes financial and non-financial criteria and is carried out over a period of at least three years.

Rules applicable to the payment of variable remuneration paid in 2023 for 2022:

#### ***Risk Takers - Members of the Management Board of Bank Millennium (Risk Takers I)***

50% of the value of variable remuneration components is granted and paid after the end of the settlement period and after the announcement of the financial results. The payment of 50% of the variable remuneration is deferred for 5 years, payable in equal annual instalments. Members of the Management Board will receive any part of the bonus awarded - paid in the year following the accounting period and deferred - after reassessment, half in cash and half in the form of financial instruments. The part of the bonus paid in the form of financial instruments is retained for 12 months.

In 2023, the Committee of the Supervisory Board decided to convert the Bank's shares allocated to the Management Board Members in the programme for 2019 and 2021 in the form of own shares into phantom shares. As part of the bonus program for Risk Takers I for 2022, phantom shares were awarded as a financial instrument in 2023.

#### ***Other Risk Takers who are not Board Members (Risk Takers II)***

The granting and payment of 60% of the value of variable remuneration components for the previous year takes place after the end of the settlement period. The payment of the remaining 40% of the variable remuneration is deferred for 5 years, payable after reassessment, in equal annual instalments. A minimum of 50% of the variable remuneration is generally paid in the form of financial instruments. The part of the bonus paid in the form of financial instruments is retained for 12 months.

The Personnel Committee of the Bank's Management Board may decide not to defer variable remuneration in an amount below a certain value. If the amount of the bonus set for Risk Taker II for a given calendar year does not exceed the equivalent of EUR 50 thousand and 1/3 of the total annual remuneration, the bonus may be paid in full in cash, in a non-deferred form, based on a decision made by the Personnel Committee of the Bank's Management Board.

As part of the 2022 Risk Takers II bonus program, bonuses were awarded entirely in cash in 2023.

## Remuneration of the Management Board

Determining the terms and conditions of contracts and remuneration for Management Board Members falls within the competence of the Supervisory Board after taking into account the recommendations of the Personnel Committee at the Supervisory Board responsible for supervising the remuneration policy. The framework for remunerating Members of the Management Board and the Supervisory Board is defined in the "Remuneration Policy for Members of the Management Board and Supervisory Board of Bank Millennium SA" adopted by the General Meeting of Shareholders.

The Policy is one of the tools for the implementation of the Bank's business strategy, long-term interests and stability, supporting proper and effective risk management and mitigation of conflicts of interest, in particular by:

- a) shaping the adequate level of individual components of remuneration in relation to the function performed and the scale of the Bank's operations, taking into account the transparency of the principles of their creation,
- b) making part of the remuneration of the Management Board Members dependent on the Bank's financial and business results,
- c) adopting such a structure of the components of fixed and variable remuneration of Management Board Members so that the motivation to obtain variable remuneration does not constitute a factor conducive to excessive risk-taking,
- d) ensuring only a fixed component of remuneration for the Supervisory Board Members and making it independent of the Bank's financial and business results,
- e) supporting responsible management attitudes in relation to the Bank's long-term business objectives through a transparent process of evaluating the Bank's Management Board Members.

The total remuneration of the Management Board Members consists of a fixed and a variable part. The variable part of the remuneration may be an annual bonus, which depends on the Bank's result, the result compared to banks of a similar size and the individual assessment of the Management Board Member.

Decisions regarding the awarding of bonuses to Management Board Members are made after an analysis of risk, liquidity and capital ratios, taking into account the following financial criteria:

- implementation of planned budgets and indicators established for the managed area of activity,
- comparisons with competing banks of similar size,
- business market criteria established for a given period,

and non-financial criteria, in particular:

- the overall quality of management in the area of responsibility,
- effective leadership and contribution to the development of the Bank,
- management and supervision of entities in the area of responsibility.

The total value of the basic remuneration of Management Board Members for performing this function in 2023 amounted to PLN 11,177 thousand. In addition, Members of the Management Board received payment of part of the annual bonus for 2019, 2021 and 2022 (in the form of cash and phantom shares) and additional benefits.

**Fixed remuneration (base salary and benefits) of Management Board Members in 2023  
(in PLN thousand)**

Name and surname	Base salary	Medical	PPK	Additional benefits*
Joao Bras Jorge	2 430.64	29.67	63.53	1 225.10
Fernando Bicho	1 710.02	29.63	26.45	53.11
Wojciech Haase	1 407.21	15.76	-	-
Andrzej Gliński	1 407.21	29.67	-	-
Wojciech Rybak	1 407.21	4.53	-	-
Antonio Pinto Jr.	1 407.21	4.53	35.01	565.12
Jarosław Hermann	1 407.21	8.59	21.52	-
<b>Including:</b>	<b>11 176.71</b>	<b>122.38</b>	<b>146.51</b>	<b>1 843.33</b>

\* Additional benefits are mainly related to the costs of stay of foreign Members of the Management Board

**Variable remuneration disbursed to Management Board Members in 2023:**

Name and surname	<i>Bonuses paid for the years: 2019, 2021 and 2022 (in PLN thousand)</i>	
	<i>in cash</i>	<i>in phantom shares</i>
Joao Bras Jorge	621.52	749.69
Fernando Bicho	450.20	551.50
Wojciech Haase	366.83	449.37
Andrzej Gliński	366.83	449.37
Wojciech Rybak	366.83	449.37
Antonio Pinto Jr.	366.83	449.37
Jarosław Hermann	366.83	449.37
<b>Including:</b>	<b>2 905.87</b>	<b>3 548.04</b>

The decision to award variable remuneration to Management Board Members for 2023 will be made after the General Meeting of Shareholders approves the Bank's results.

Members of the Supervisory Board receive only a fixed remuneration for their work in the Boards and Committees, which is adequate to their function and the scale of operations of the Bank Millennium Group.

**Policy Evaluation**

In its annual assessment of the remuneration policy of Bank Millennium S.A., the Supervisory Board assessed that it is conducted in a stable manner, based on the continuation of the adopted strategies. The measures taken in 2023 to adapt to the challenges arising from the current business context of the remuneration policy were positively assessed.

## 13. PRINCIPLES OF CORPORATE GOVERNANCE AT BANK MILLENNIUM

### 13.1. STATEMENT ON THE PRINCIPLES OF CORPORATE GOVERNANCE APPLIED IN 2023

Corporate governance is a set of rules addressed to governing bodies of companies and their members as well as defining relations with shareholders and investors.

The set of rules covering the area of Polish financial institutions and companies listed on the Warsaw Stock Exchange (GPW) are in particular ‘Best Practice for GPW Listed Companies 2016’ (hereinafter referred to also as ‘Best Practice’) adopted by the Board of the Warsaw Stock Exchange, the ‘Principles of Corporate Governance for Supervised Institutions’ (hereinafter referred to as the ‘Principles’) adopted by the Polish Financial Supervision Authority and Recommendation Z adopted by the Polish Financial Supervision Authority.

The application of corporate governance principles guarantees the transparency of company operations and strengthens the protection of shareholder rights, also with respect to issues not regulated by generally applicable laws.

The complete text of the document „Best Practice for GPW Listed Companies 2021” is published on the GPW website: [https://www.gpw.pl/pub/GPW/files/PDF/dobre\\_praktyki/en/DPSN2021\\_EN.pdf](https://www.gpw.pl/pub/GPW/files/PDF/dobre_praktyki/en/DPSN2021_EN.pdf), and on the Bank’s website: <https://www.bankmillennium.pl/about-the-bank/corporate-bodies-and-governance>.

The most important standard of the above-mentioned Best Practice, Best Practice 2021 and Principles is the ‘*comply or explain*’ rule. This rule means that a company is obliged to apply the principles stipulated in the document, and in the event of deviation from use of a particular principle the company must clarify the causes of such conduct and make this fact publicly known in the form of a report by using the GPW Electronic Information Database (in the case of Best Practice and Best Practice 2021) or by means of a website (in the case of the Principles).

Like in previous years, by the principle of transparency of its actions in shaping corporate and investor relations, as well as the highest quality of communication with shareholders, the Bank complied with the principles of Best Practice. The confirmation of employing the recommendations contained in Best Practice is the document ‘*A statement on the company’s compliance with the corporate governance recommendations and principles contained in Best Practice for GPW Listed Companies*’ published on the Bank’s website.

As regards recommendation IV.R.2 item 2 and 3, regarding ensuring for the shareholders the opportunity to participate in a General Meeting of Shareholders (hereinafter, also ‘General Meeting’ or ‘GM’) with the use of real-time two-way electronic communication where shareholders may address a General Meeting of Shareholders from a location other than the General Meeting and exercise, in person or through a plenipotentiary, their voting rights in the course of the General Meeting - in the Bank’s opinion - the implementation of this rule during a General Meeting carries technical and legal risks to the correct and efficient conducting of a General Meeting. Avoiding these risks constitutes a bigger value for the shareholders than the implementation of the rule from part IV, Recommendation IV.R.2, item 2 of Best Practice. The Bank, ever since 2008, has been providing real-time online broadcasts of the proceedings of General Meetings, in accordance with the requirement specified in part IV, Recommendation IV.R.2 item 1 of Best Practice.

The Bank as a financial institution has been subject, since the beginning of 2015, also to the ‘*Principles of Corporate Governance for Supervised Institutions*’ referred to at the outset, which are available on the website of the Polish Financial Supervision Authority [https://www.knf.gov.pl/knf/en/komponenty/img/principles\\_of\\_corporate\\_governance\\_39736.pdf](https://www.knf.gov.pl/knf/en/komponenty/img/principles_of_corporate_governance_39736.pdf) and on the Bank’s website <https://www.bankmillennium.pl/about-the-bank/corporate-bodies-and-governance>.

The Bank's Management Board and the Supervisory Board took resolutions on the application of the Principles, with the exception of § 16 sect. 1 and § 24 sect. 1, concerning the holding of meetings of the Bank's governing bodies (Management Board and Supervisory Board) in the Polish language.

The knowledge of the English language by members of the Management Board enables full mutual understanding and a proper level of communication during meetings. Moreover, the practically implemented principle of holding meetings of the Supervisory Board both in Polish and in English, with the assurance of essential assistance of an interpreter, also ensures mutual understanding and a proper level of communication.

The General Meeting in its resolution passed on 21 May 2015 expressed a positive opinion regarding the position of the Management Board and Supervisory Board of the Bank about the scope of application of the Principles.

In successive years General Meetings accepted the assessment of employing the Principles and assessment of the manner of carrying out the information duties relating to the employment of Best Practice.

Bank Millennium has been included in the WIG-ESG index since 2019. Previously, for 12 years, it belonged to the Respect index, which was withdrawn on January 1, 2020 and was replaced by the WIG-ESG index. The companies included in the Index operate on the basis of best standards of corporate governance, information policy and investor relations, including ecological, social and employee issues. Index WIG-ESG comprising 60 companies included in the WIG20 and mWIG40 indices. Weights of companies in WIG-ESG depend on the number of free float shares adjusted for the results of the ESG ranking prepared by Sustainalytics and the assessment of the application of the principles of corporate governance.

## 13.2. SHAREHOLDERS AND GENERAL MEETING OF SHAREHOLDERS

The General Meeting is the highest governing body of the Bank's operating in particular on the basis of the Code of Commercial Companies and the Banking Law, as well as the Bank's internal regulations, i.e. the Articles of Association and the Regulations of the General Meeting. The Bank's Articles of Association and Regulations of the General Meeting are available from the Bank's website on the tab: "About the Bank > Corporate bodies and governance", link to website <https://www.bankmillennium.pl/about-the-bank/corporate-bodies-and-governance>.

These documents describe in detail the functioning of the General Meeting and scope of its competencies as well as specific rights of the shareholders during the deliberations of a General Meeting. The competencies of the General Meeting include inter alia making amendments to the Articles of Association, including change in the amount of the share capital.

As at 31 December 2023, the Bank's share capital was PLN 1,213,116,777 and was divided into 1,213,116,777 shares (with the nominal value of PLN 1 each). Information is presented below, in accordance with the data held by the Bank, on shareholders holding, directly or indirectly, significant blocks of shares, together with an indication of the number of shares held by these entities, their share in the share capital and in the total number of votes at the General Meeting of the Bank. According to the information available to the Bank, with respect to shareholders holding more than 5% of votes at the General Meeting, as at 31 December 2023, the following entities were the Bank's shareholders:

Banco Comercial Portugues (BCP), one of the largest private Portuguese banks - as the strategic investor - holds 50.10% of all the shares of the Bank. The Bank's significant shareholders are also: Nationale-Nederlanden Otwarty Fundusz Emerytalny, which held 8.90% of the Bank's shares, Allianz Polska Otwarty Fundusz Emerytalny which held 8.32% of the Bank's shares and Otwarty Fundusz Emerytalny PZU "Złota Jesień", which held 5.40% of the Bank's shares.

The remaining shares, i.e. 27.28% of the share capital, are dispersed among Polish and foreign shareholders, both institutional and private.

#### Shareholders of the Bank as at 31 December 2023

Shareholders	Number of shares	% stake in share capital	Number of votes	% participation in votes at GM
Banco Comercial Portugues S.A.	607 771 505	50.10	607 771 505	50.10
Nationale-Nederlanden Otwarty Fundusz Emerytalny	107 970 039	8.90	107 970 039	8.90
Allianz Polska Otwarty Fundusz Emerytalny	100 990 351	8.32	100 990 351	8.32
Otwarty Fundusz Emerytalny PZU „Złota Jesień”	65 492 207	5.40	65 492 207	5.40

#### Shareholders of the Bank as at 31 December 2022 (\*\*)

Shareholders	Number of shares	% stake in share capital	Number of votes	% participation in votes at GM
Banco Comercial Portugues S.A.	607 771 505	50.10	607 771 505	50.10
Nationale-Nederlanden Otwarty Fundusz Emerytalny	107 970 039	8.90	107 970 039	8.90
Allianz Polska Otwarty Fundusz Emerytalny and Drugi Allianz Polska Otwarty Fundusz Emerytalny (*)	96 792 815 (*)	7.98 (*)	96 792 815 (*)	7.98 (*)
Otwarty Fundusz Emerytalny PZU „Złota Jesień”	67 417 542	5.56	67 417 542	5.56

(\*) In addition, PTE Allianz Polska S.A. manages the Allianz Polska Dobrowolny Fundusz Emerytalny fund. According to the notification of PTE Allianz Polska S.A., announced by the Bank in Current Report no. 3/2023, Allianz Polska Dobrowolny Fundusz Emerytalny, Allianz Polska OFE and Drugi Allianz Polska OFE as at 30.12.2022 jointly held 96 810 815 shares of the Bank (7.98% of votes), including the Drugi Allianz Polska OFE holding 80 760 035 shares of the Bank (6.66% of votes).

(\*\*) Commentary on the 2022 data: according to the notification of PTE Allianz Polska S.A., announced by the Bank in the Current Report no. 18/2023 of 16 May 2023, as a result of the liquidation of the Drugi Allianz Polska OFE by transfer its assets to Allianz Polska OFE, 96,792,815 shares were registered on the account of Allianz Polska OFE, constituting 7.98% of the Bank's share capital, which gave the right to exercise 96,792,815 votes from the shares constituting 7.98% of the total number of votes at the General Meeting of the Bank.

Data in the tables were ascertained according to the rules described below. With respect to Banco Comercial Portugues S.A. these are data collected in connection with the registration of shareholders authorised entitled to take part in the Bank's Ordinary General Meeting convened for 30 March 2023 and 30 March 2022.



However, as regards Nationale-Nederlanden Otwarty Fundusz Emerytalny, Allianz Polska Otwarty Fundusz Emerytalny and Otwarty Fundusz Emerytalny PZU „Złota Jesień”, the number of shares and their stake in the Bank’s share capital were calculated on the basis of the Annual Structure of Assets of the above-mentioned Funds as at 29 December 2023 and 30 December 2022 (as published on the websites, respectively: [www.nn.pl](http://www.nn.pl), [www.allianz.pl](http://www.allianz.pl) and [www.pzu.pl](http://www.pzu.pl)). With regard to the calculations made on the basis of the annual structures of the above-mentioned Funds, the volume-weighted average price (VWAP) of the Bank’s shares was assumed: for 2023 in the amount of PLN 8.3321, and for 2022 in the amount of PLN 4.6013.

With regard to the data for 2022 regarding the Drugi Allianz Polska Otwarty Fundusz Emerytalny, the number of shares and its stake in the Bank’s share capital were calculated on the basis of the annual structure of the Fund’s assets as at 30 December 2022 (as published on the website [www.allianz.pl](http://www.allianz.pl)) and the notification of PTE Allianz Polska S.A. (current report No. 3/2023).

Banco Comercial Portugues S.A., as the majority shareholder, exercises a shareholder’s rights specified in the Code of Commercial Companies and in the Bank’s Articles of Association. BCP is a dominant entity with regard to the Bank. By holding a majority of votes at a General Meeting it can exercise decisive influence on GMS over decisions regarding the most important corporate matters such as change of the Bank’s Articles of Association, issue of new shares of the Bank, reduction of the share capital of the Bank, issue of convertible bonds, payment of a dividend and other activities, which in accordance with Code of Commercial Companies require majority of votes at a General Meeting. BCP also holds a sufficient number of votes to appoint all members of the Supervisory Board, which in turn appoints members of the Management Board. In connection with the above-mentioned corporate rights, BCP has the capacity to exercise significant control over the Bank.

The Bank is not aware of any agreements concluded between its shareholders regarding their mutual cooperation and the Bank is not aware of any agreements that, in future, might cause changes in the proportions of shares held by existing shareholders.

The Bank’s shareholders exercise their corporate rights in the way and within the limits defined by generally applicable laws, the Articles of Association of the Bank, as well as the By-laws of the General Meeting of Shareholders. Each share of the Bank entitles to one vote, however registered founder shares in the outstanding number of 61,600 items are preferential in as much as one share entitles to two votes at a General Meeting. Registered founder shares in total accounted for 0.0051% of the Bank’s share capital and 0.0102% of the total number of votes at a General Meeting, as at 31 December 2023.

Registered founder shares are subject to disposal restrictions, i.e. their disposal subject to the consent of, at least, three fourths of the founders, to other founders does not result in their loss of preferential status. A disposal of registered founder shares in all other cases causes loss of their preferential status. There are no restrictions on exercising voting rights under the Bank’s shares and none of the holders of securities issued by the Bank has any special controlling rights with respect to the Bank.

Bank Millennium shares have been listed on the Warsaw Stock Exchange since 13 August 1992 (first bank to be listed). Currently 1 213 009 297 shares with the code ISIN PLBIG0000016 (GPW symbol: MIL; Reuters: MILP.WA; Bloomberg: MIL PW) are traded on the stock exchange.

Shareholders have 107 480 registered shares, of which 61,600 are preferential founder shares (right to two votes at a General Meeting). Thus, the total number of Bank Millennium shares is 1,213,116,777 and total number of votes at a General Meeting of Shareholders is 1,213,178,377.

### 13.3. SUPERVISORY BOARD

The Supervisory Board exercises constant supervision over the activity of the Bank operating under legal regulations, including the Articles of Association of the Bank, resolutions of the General Meeting as well as the Bylaws of the Supervisory Board available from the Bank's website on the "About the Bank > Corporate bodies and governance" tab, link to website <https://www.bankmillennium.pl/about-the-bank/corporate-bodies-and-governance>.

Meetings of the Supervisory Board are convoked once a quarter and if such need arises. The competences of the Supervisory Board comprise, in particular, the appointment and recalling of Members of the Management Board (by a simple majority of votes) and determination of their remuneration principles. Resolutions are adopted by a simple majority of votes with at least half of its members present. In the case of an equal number of votes the Chairman of the Supervisory Board has a decisive vote.

The Supervisory Board of the Bank consists of at least five Members, of whom at least a half, including the Chairman, are of Polish nationality. Members of the Supervisory Board are appointed at a General Meeting for a three-year term of office.

The composition of the Supervisory Board between 1 January 2023 and 31 December 2023 was as follows:

- Bogusław Kott - Chairman of the Supervisory Board,
- Nuno Manuel da Silva Amado - Deputy Chairman of the Supervisory Board,
- Dariusz Rosati - Deputy Chairman and Secretary of the Supervisory Board,
- Miguel de Campos Pereira de Bragança - Member of the Supervisory Board,
- Olga Grygier-Siddons - Member of the Supervisory Board,
- Anna Jakubowski - Member of the Supervisory Board,
- Grzegorz Jędrys - Member of the Supervisory Board,
- Alojzy Nowak - Member of the Supervisory Board,
- José Miguel Bensliman Schorcht da Silva Pessanha - Member of the Supervisory Board,
- Miguel Maya Dias Pinheiro - Member of the Supervisory Board,
- Beata Stelmach - Member of the Supervisory Board,
- Lingjiang Xu - Member of the Supervisory Board.

#### 1. Bogusław Kott - Chairman of the Supervisory Board

**Mr Bogusław Kott** graduated from the Foreign Trade Faculty at SGPiS (present name SGH - Warsaw School of Economics) in Warsaw. For many years he worked at the Ministry of Finance, specializing in foreign trade financing.

He co-founded and co-organised Bank Millennium S.A., and from 1989 when the Bank was established, till 24 October 2013 was the Chairman of the Management Board. Since 24 October 2013 he has been the Chairman of the Supervisory Board of Bank Millennium S.A. From 31 May 2019 to the day of merger with Bank Millennium S.A. i.e. 1 October 2019, also the Chairman of the Supervisory Board of Euro Bank S.A.

Mr Bogusław Kott has been a Member of the Polish Business Roundtable since 1994 and since May 2020 Honorary Member. Since 1 September 2018 he has been a Member of Board of Trustees of Kozminski University in Warsaw.

## 2. Nuno Manuel da Silva Amado - Deputy Chairman of the Supervisory Board

**Mr Nuno Manuel da Silva Amado** has a Business Degree from ISCTE (Instituto Superior de Ciencias do Trabalho e da Empresa) and attended the Advanced Management Programme at INSEAD (France).

From 1980 he worked in auditing (KPMG) and in international banks (Citibank, Deutsche Bank and Banco Santander) in Portugal. Between 2006 - 2012 he was Vice-Chairman of the Board of Directors and CEO of Banco Santander Totta (Portugal). From 2012 to 2018 he was Vice-Chairman of the Board of Directors and CEO of Banco Comercial Portugues (BCP), Portugal. Since July 2018 he has been Chairman of the Board of Directors of BCP.

Since 20 April 2012 Deputy Chairman of the Supervisory Board of Bank Millennium S.A.

## 3. Dariusz Rosati - Deputy Chairman and Secretary of the Supervisory Board

**Mr Dariusz Rosati** graduated in International Trade from the Main School of Planning and Statistics - SGPiS (now the SGH Warsaw School of Economics) in Warsaw. Professor Emeritus of Economic Sciences, Institute of International Economic Policy at SGH.

In 1978 - 1979 he was a consultant at Citibank in New York. In 1985 - 1986 and 1987 - 1988 - founder and Director of the World Economy Research Institute at SGH. In 1986 - 1987 he was a Fulbright scholar at the University of Princeton (USA). In 1988 - 1991 he was the director of the Foreign Trade Research Institute. Since 1990 Professor of Economic Sciences at SGH. In 1991 - 1995 he worked in the UN Economic Commission for Europe in Geneva (Switzerland) as Head of the Central and Eastern European Section. In 1995 - 1997 he was Minister of Foreign Affairs of the Republic of Poland. In 1998 - 2004 Member of the Monetary Policy Council of the National Bank of Poland.

In 1978 - 1991, UNIDO consultant and member of numerous missions to developing countries. In 1988 - 1991 many times worked as an expert of the World Bank, the United Nations University World Institute for Development Economics Research (WIDER), International Labour Organisation and European Commission. Member of the Economic Reform Commission (1987 - 1989), team of the economic advisors to the Prime Minister (1988 - 1989), the Socio-Economic Strategy Council at the Council of Ministers (1994 - 1998). Since 1997 Member of the Committee of Economics at the Polish Academy of Sciences. In 2001 - 2004 he was a member of the Group of Economic Policy Advisors to the President of the EU Commission. From 2003 to 2005 Rector of Lazarski University in Warsaw.

In years 2004 - 2009 and 2014 - 2019 Member of the European Parliament. Member of Parliament of the Republic of Poland of 7th term in 2011 - 2014 - he was the Chairman of the Public Finance Committee - and of 9th term, elected in 2019.

Since 27 May 2004 Member of the Supervisory Board of Bank Millennium S.A.

Author of over 250 scientific and journalistic works, including eight books on topics related to economic policy and finance.

## 4. Miguel de Campos Pereira de Bragança - Member of the Supervisory Board

**Mr Miguel de Campos Pereira de Bragança** has a Degree in Management and Administration from the Catholic University of Portugal and an MBA from INSEAD (France).

Started his career in 1989 in capital markets and investment banking, being since 1993 executive board member of Financial Institutions in Portugal, Brazil (Santander Brazil) and Great Britain (Abbey National). Between 2008-2012 he was Director, responsible for the Financial, Accounting and Management Control, Marketing and Products Areas, at Banco Santander Totta and Banco Santander de Negócios (Portugal). Since 2012 is Chief Financial Officer, board member and Vice-Chairman of the Executive Committee of Banco Comercial Português (BCP), Portugal.

Since 20 April 2012 he has been a Member of the Supervisory Board of Bank Millennium S.A. and since 2019 Vice-Chairman of the Board of Directors of Aktivobank.

Since 2018 Non-executive Director of SIBS, SGPS, SA and of SIBS Forward Payment Solutions, SA and Non-executive Director of the BofD of UNICRE- Instituição Financeira de Crédito, SA, as representative of Banco Comercial Português, SA.

## 5. Olga Grygier-Siddons - Member of the Supervisory Board (independent member)

**Ms Olga Grygier-Siddons** graduated from the University of Manchester, Computer Science and Accounting. She is also Fellow Chartered Accountant, Institute of Chartered Accountants of England and Wales.

After having graduated in Great Britain, she pursued her professional career in the advisory sector. In 1991, she joined PwC in the Corporate Finance area. In 1998, she was promoted to the position of Partner and was responsible for the delivery of diverse projects for the public and private sectors around the world. In 2004, she decided to relocate to Poland and in 2014, she assumed the position of Managing Partner for Central and Eastern Europe at PwC. For 15 years she was responsible for business development and overseeing projects in 29 countries, in a company with 12,000 employees. She became the first female member of the PwC Strategy Council which comprises 20 top leaders of the PwC Network.

She retired from PwC in 2019 and currently serves as a strategic advisor and Mentor.

Moreover, until today she performs among other the following functions: Member of the Council of the Silesian University, Member of the Supervisory Board of Zabka Group; founder and CEO of the Experiential Learning Hub - Villa Poranek.

Since 24 March 2021 Member of the Supervisory Board of Bank Millennium S.A.

## 6. Anna Jakubowski - Member of the Supervisory Board (independent member)

**Ms Anna Jakubowski** graduated with a Bachelor of Business Administration (1990) from Wilfrid Laurier University, Waterloo, Ontario. Canada.

Her professional career started with Procter & Gamble Canada (1991 - 1993), where she was the National Account Manager. Between 1993 and 1998 she held different positions, from Pharmacy Channel Manager to Trade Marketing Manager and Area Sales Manager in P&G Poland. In 1998 she became Regional Customer Business Development Manager in P&G Central Eastern Europe while between 1999 and 2007 she was New Business Development Manager and (from 2002) Strategy, Business Development Director in P&G Western Europe. She continued her career in Switzerland in the P&G the Fabric Care Division (2007 - 2009) as an Associate Director: Marketing. Between 2011 and 2016 she connected her professional career with The Coca-Cola Company where she held the following positions: the International Group Marketing/Strategy Director in Coca-Cola Hellenic Bottling Company (2011 - 2013), Business Capability Director in the Coca-Cola Company (2013) and from 2013 - 2016 Management Board Member - Managing Director in Coca-Cola Poland Services Sp. z o.o. and Franchise General Manager - Poland/Baltics in The Coca-Cola Company, Management Board Member in Multivita Sp. z o. o, Management Board Member - Managing Director in Coca-Cola Balti Jookide AS. In 2018 she held the role of General Manager for Poland and Baltics for Marie Brizard Wine & Spirits Sp. z o.o. In 2019-2020, she held the role of General Manager of Avon Cosmetics Polska Sp. z o.o. and is currently the Managing Director at FamicordTx S.A. and co-investor/owner in Life Institute Sp. z o.o. Sp. k. She is an independent Supervisory Board member of Artic Paper S.A.

She has also been involved with the following organizations and associations: Women's International Networking Leadership Forum - Board of Advisors (2004 - 2012), Organization of Women in International Trade - Board of Directors (2005 - 2010) and in 2008 as an Executive Vice President as well as in 2009 as the President (2005 - 2010) in Geneva Women in International Trade, across 2015 - 2016 she served also as a Member of the Board of Directors of the American Chamber of Commerce in Poland, 2015 - 2018 as a Management Board Member, Vice President International Association of

Advertising (IAA) in Poland (Warsaw, Poland). Currently is a Member of the Board of the Polish - Canadian Chamber of Commerce, an Adviser and Mentor in the Global Shapers - Mentor4Starters initiative, and a mentor of the CFA Society Poland.

In 2011 she was awarded the TIAW - The World of Difference 100 Award (Recognizes individuals whose efforts have advanced the economic empowerment of women) and in 2016 she was awarded Woman of Charisma: Business & Social Enterprise Award (Poland).

Since 21 May, 2015 Member of the Supervisory Board of Bank Millennium S.A. From 31 May 2019 to the day of merger with Bank Millennium S.A. i.e. 1 October 2019, also Member of the Supervisory Board of Euro Bank S.A.

#### **7. Grzegorz Jędrys - Member of the Supervisory Board (independent member)**

**Mr Grzegorz Jędrys** graduated from the Production Economics Faculty of the Warsaw School of Economics and from a post-graduate course at the Warsaw School of Economics in Strategic Marketing Management as well as real estate agency operation. Moreover, Mr G. Jędrys attended many courses and training sessions, i.a. for candidates for members of supervisory boards of State Treasury companies (2008).

He began his professional career in 1994 in the Housing Finance and Municipal Advisory Programme for Poland/PADCO - a joint Poland-USAID programme. In 1996 he worked as Manager of the Building Projects Financing Team in Polsko-Amerykański Bank Hipoteczny S.A. From 1997 to 1999 he was employed in Jedenasty Narodowy Fundusz Inwestycyjny S.A., initially as an Investment Analyst, then as Project Director. Between 1999 and 2005 he was Investment Director in Trinity Management Sp. z o.o. - a company which managed the assets of Jupiter NFI S.A. as well as Pekao Fundusz Kapitałowy Sp. z o.o. From 1997 to 2005 he was a Member of Supervisory Boards of many companies. Starting from 2005 he has been Head of the Poland's Representative Office of the Polish American Freedom Foundation, and since beginning of 2023 he is also acting as Foundation's Chief Operating Officer.

Since 11 April 2013 Member of the Supervisory Board of Bank Millennium S.A. From 31 May 2019 to the day of merger with Bank Millennium S.A., i.e. 1 October 2019, also Member of the Supervisory Board of Euro Bank S.A. Since July 9, 2020, acting as a Member of the Supervisory Board of Millennium Bank Hipoteczny S.A.

#### **8. Alojzy Nowak - Member of the Supervisory Board (independent member)**

**Mr Alojzy Nowak** in 1984 graduated from the Warsaw School of Economics; earned a Ph.D. in 1991 and Habilitation in 1995. Moreover in 1992 - as part of an annual scholarship from the A. Mellon Foundation - he studied economics at the University of Illinois at Urbana-Champaign, USA; in 1993, as a scholarship holder of the United Kingdom Government under the Know-How Fund, he studied banking, finance and capital markets at the University of Exeter; in 1996, as part of a semester scholarship from the German Government, he studied economics at Freie Universität in Berlin, and in 1997 as part of a semester scholarship of the Belgian Government, he studied international economics at the RUCA University in Antwerp.

In 2002 he became Professor of Economics.

He has won a number of prestigious awards, including the Rector's Award for Scientific Achievements (annually since 1997), Award of the Minister of Education for the book "Integracja europejska. Szansa dla Polski?" and the book „Banki a gospodarstwa domowe - dynamika rozwoju”. Member of many scientific organizations and professional editorial boards of periodicals, among others "Foundations of Management" (member of the editorial board), "Journal of Interdisciplinary Economics" (editor-in-chief), "Yearbook on Polish European Studies", "Mazovia Regional Studies", "Gazeta Bankowa" and a reviewer in PWE SA Warszawa publishing company. For many years committee member of "Teraz



Polska” Award and scientific council member of “Studia Europejskie”. Author of over 300 publications in Poland and abroad.

He gained his professional experience working among others as Head of the International Business Relations Section at the Management Faculty, University of Warsaw, Head of National Economy Chair at the Management Faculty UW, Director of European Center at the University of Warsaw, Deputy Dean in charge of foreign cooperation at the Management Faculty, University of Warsaw, next as Dean at the Management Faculty, University of Warsaw and Vice-Rector for Research and Liaison, University of Warsaw. Since September June 2020 he has become the Rector of the University of Warsaw. He is a lecturer at the University of Warsaw, and also in France, UK, USA, Russia, China and Korea.

Further, he worked and still works as: advisor to the Prime Minister, to the Minister of Agriculture, CEO of the University Sports Association in Poland and at the University of Warsaw, member of the NewConnect advisory committee at the Management Board of the Warsaw Stock Exchange, member of the Foundation Council of the National Bank of Poland, chairman of the Council of the Scientific of the National Bank of Poland.

Over the years he sat on supervisory boards of various institutions, including among others: PZU S.A., PTE WARTA S.A., PKO BP S.A., Cyfrowy Polsat S.A., ZE PAK S.A., JSW S.A., Chairman and Deputy Chairman of the Supervisory Board in EUROLOT S.A.

He was a member of the National Development Council appointed by President Andrzej Duda. Currently in the Council for Higher Education, Science and Innovation within the NRR. Since December 2018 he has been a member of the Scientific Council of the Institute of New Structural Economics at the University of Beijing, where he is among 22 outstanding scientists from around the world, including 4 Nobel laureates in the field of economic sciences.

Since 26 March 2018 Member of the Supervisory Board of Bank Millennium S.A.

## 9. José Miguel Bensliman Schorcht da Silva Pessanha - Member of the Supervisory Board

**Mr José Miguel Bensliman Schorcht da Silva Pessanha** has a Master’s Degree in Economics from Université Catholique de Louvain and a Master’s Degree in Operational Research (academic portion) from Instituto Superior Técnico and also has a Licentiate Degree in Economics, Universidade Católica Portuguesa. He attended the PADE (Corporate Senior Management Programme) at Associação de Estudos Superiores de Empresa (AESE), the Eureka Program in INSEAD, he had a Scholarship from Invotan (NATO) and received a scholarship linked to the Award Joseph Bech, granted by the Government of Luxembourg for commitment to the European Union

From 1982 to 1989 he worked as a financial services advisor - Banco Português do Atlântico, Banco Nacional Ultramarino, Banco Espírito Santo, Manufacturers Hannover Trust, between 1982 - 1995 he was Professor in charge of the courses of Statistics I and II and Econometrics - Universidade Católica Portuguesa. He was responsible for risk control, ALM, financial markets research and capital markets areas in the Financial Division - Banco Português do Atlântico, S.A. from 1989 to 1995 and Advisor to the Chairman of the Plan National Council from 1990 to 1993. Between 1993 and 2002 he was a Member of the Board of Directors of Corretora Atlântico - Soc. Financeira de Corretagem S.A. and of Servimédia - Sociedade Mediadora de Capitais, S.A. and Chairman of the Board of Directors of Servimédia - Sociedade Corretora S.A. and Head of the Assets and Liabilities Management Division of BPA (1995 - 1998), and of BCP (1998 - 2000). At Banco Comercial Português, S.A. he was Head for the "Year 2000" Project of Group BCP (1999 - 2000) and was responsible for the design, development and launching of the "cidadebcp" bank website (2000 - 2002). From 1998 to 2003 he coordinated the Investment Products Unit of Banco Comercial Português, S.A. From 2003 to 2015 he was the Group Risk Officer of Banco Comercial Português, S.A. In 2014 he was a lecturer responsible for the banking in a global context course at Universidade Católica Portuguesa.

Currently he is a Member of the Board of Directors and of the Executive Committee of Banco Comercial Português, S.A. ,Member of the Board of Directors of ActivoBank, Vice-Chairman of the Board of



Directors and Chairman of the Audit Board of Millennium bcp Ageas Grupo Segurador, SGPS, S.A., Vice-Chairman of the Board of Directors and Chairman of the Audit Board of Ocidental - Companhia Portuguesa de Seguros de Vida, S.A. and Vice-Chairman of the Board of Directors and Chairman of the Audit Committee of Ageas - Sociedade Gestora de Fundos de Pensões, S.A. (formerly Ocidental - Sociedade Gestora de Fundos de Pensões, S.A.).

He is also Member of the Board of Directors and Chairman of the Audit Committee of BIM - Banco Internacional de Moçambique, S.A.(Mozambique) and Vice-Chairman of the Board of Directors and Chairman of the Audit Committee of Banco Millennium Atlântico, S.A.(Angola).

Since 26 March 2018 Member of the Supervisory Board of Bank Millennium S.A..

#### 10. Miguel Maya Dias Pinheiro - Member of the Supervisory Board

**Mr Miguel Maya Dias Pinheiro** graduated from Instituto Superior das Ciências do Trabalho e da Empresa (ISCTE) with a bachelor's degree in Business Organization and Management, having also completed a Senior Management Programme (PADE) at AESE, an Advanced Management Programme at INSEAD and a Corporate Governance Programme - at AESE.

From 1987 to 1990 he held commercial and financial functions in a manufacturing SME company. Joined Banco Português do Atlântico in 1990, institution where he assumed functions in the corporate banking area and led the coordination of the Economic and Financial Research Office.

Between 1996 and 2007 he assumed several senior management positions within BCP Group both in Portugal and Spain, namely head of the Corporate Banking Marketing Division of BCP, Coordinator of the retail banking network of NovaRede, CEO of Manager Land in Barcelona, head of Innovation and Commercial Division of BCP. From 2007 to 2009 he was Chief of Staff of the Chairman of the Executive Board of Directors of BCP.

In 2009 Mr Miguel Maya was appointed Member of the Executive Board of Directors of BCP, Member of the Board of Directors of Fundação Millennium BCP and Chairman of the Board of Directors of Banco ActivoBank, S.A..

Between 2012 and 2016 he was Chairman of the Board of Directors of Banco Millennium Angola, S.A and in 2016, following the merger of this institution with Banco Privado Atlantico, S.A. which resulted in the creation of Banco Millennium Atlantico, S.A., Mr Miguel Maya was appointed Vice-Chairman and Member of the Board of Directors of the new entity - position that he held until 2022.

From 2012 to 2019 Mr Miguel Maya was Chairman of the Board of Directors of Interfundos - Gestao de Fundos de Investimento Imobiliario, S.A.

Currently Mr Miguel Maya holds the following positions in BCP's Group governing bodies: Chief Executive Officer (CEO) and Vice-Chairman of the Board of Directors of BCP, Chairman of the Board of Directors of ActivoBank, S.A., Manager of BCP Africa, SGPS, Lda. and Member of the Board of Directors of Banco Internacional de Moçambique, S.A.

Since 21 May 2015 he has been a Member of the Supervisory Board of Bank Millennium S.A.

#### 11. Beata Stelmach - Member of the Supervisory Board (independent member)

**Ms Beata Stelmach** is a graduate of the Finance and Statistics Faculty at the Warsaw School of Economics, she also holds an MBA from Calgary University and an MBA at INSEAD.

For many years she was involved with the capital and financial markets - from the start of economic transformation she worked in the Securities and Exchange Commission, then she held management functions in capital market entities, including MCI Capital TFI SA, Intrum Justitia TFI SA, she stood at the head of the Polish Association of Listed Companies (currently chairing the supervisory board). Ms

B. Stelmach also has management experience in other industries: during 2001 - 2005 she sat on the governing bodies of Prokom Software SA; in 2013 she became the CEO and Director General of General Electric (Poland and Baltics). During 2018 - 2020 she was the President of PZL Świdnik SA.

Moreover she held advisory functions in the World Bank and also sat on the Supervisory Boards i.a. of Bank BPH SA and HSBC BANK POLSKA SA; currently also an independent member of Supervisory Board of KRUK SA, and Stalexport Autostrady S.A.

During 2011 - 2013 she was Undersecretary of State in the Ministry of Foreign Affairs, responsible for global economic policy as well as public and cultural diplomacy.

Ms B. Stelmach was decorated with the Knight's Cross of Polonia Restituta Order for outstanding contribution in the Foreign Service and work achievements undertaken for the benefit of the country and diplomatic activity.

Since 24 March 2021 Member of the Supervisory Board of Bank Millennium S.A.

## 12. Lingjiang Xu - Member of the Supervisory Board

**Mr Lingjiang Xu** has a Bachelor's Degree in German from the Foreign Studies University of Beijing, a Master's Degree in World Economics from the Nan Kai University, Tianjin and a Master's Degree in Finance from the London Business School.

From July 1993 to February 1995 he worked as Desk Officer at the European Affairs Department of the Chinese Ministry of Foreign Trade and Economic Cooperation in Beijing. He was Third Secretary of the Commercial Office of the Chinese Consulate General in Hamburg from February 1995 to October 1998. Between October 1998 and February 2006 he was the Division Director of the European Affairs Department of Chinese Ministry of Commerce in Beijing. From February 2006 to January 2010 he was the First Secretary of the Commercial Office of the Chinese Embassy in London. In September 2011 he was elected Associate Director of Vermilion Partner LLP (London) (to March 2012). From March 2012 to December 2013 was Partner to RH Regent Investment Management Co Ltd (Shanghai). During the years of 2015 to 2017, he was Non-Executive Director of Luz Saúde, S.A. and Non-executive Director of Multicare - Seguros de Saúde, S.A., as well as Non-executive Director of the Board of Directors of Fidelidade Assistência - Companhia de Seguros S.A. From 18 October 2016 to 31 March 2017 he held the position of Non-executive Member of the Board of Directors of Chiado (Luxembourg) S.à.r.l. From November 2019 to December 2023, he held position as Non-executive Member of the Board of Directors of Luz Saude, S.A.

Currently he is a Non-executive Member of the Board of Directors, Member of the Committee for Nominations and Remunerations and Member of the Committee for Corporate Governance, Ethics and Professional Conduct of Banco Comercial Português, S.A. He is also Non-executive Member of the Board of Directors of Fidelidade - Companhia de Seguros, S.A., Chairman of the Board of Directors of Longrun Portugal, SGPA, S.A..

Since 26 March 2018 Member of the Supervisory Board of Bank Millennium S.A.

## Standing Committees of the Supervisory Board

The Supervisory Board may establish standing or ad hoc committees, composed of members of the Supervisory Board, to carry out specific supervisory tasks. The Standing Committees of the Supervisory Board are: the Audit Committee, Personnel Committee, Strategic Committee and Committee for Risk Matters.

Detailed information regarding the composition of the committees and the issues raised during the meetings of the Committees in 2023 is to be found in the "Annual Report of the Supervisory Board for the financial year 2023", published on Bank Millennium's website.

## Audit Committee

The Audit Committee is a standing committee of the Supervisory Board, established in 2000 and supporting the Supervisory Board in supervision over the execution of the internal audit function in the Bank. Furthermore, the Audit Committee focuses on financial reporting, internal control and risk management at the Bank.

Pursuant to the Act of 11 May 2017 on statutory auditors, audit firms and public oversight the Audit Committee consists of at least three Members. The Members of the Audit Committee have knowledge and skills in accounting or auditing of financial statements, as well as in the banking sector, which is confirmed by the history of their professional career and the duties hitherto performed by them. The majority of the Members of the Audit Committee, including its Chairman, are independent of the Bank. The Audit Committee meets on a regular basis (once every quarter) upon the initiative of the Chairman of the Committee and in the extraordinary mode it is convened by the Chairman of the Supervisory Board on his own initiative or at the request of a Member of the Supervisory Board or a Member of the Management Board.

The main responsibilities of the Audit Committee include specifically:

- (I) monitoring the process of financial reporting,
- (II) monitoring the effectiveness of the internal control systems and risk management systems, and internal audit, including in the area of financial reporting,
- (III) monitoring financial audit activities,
- (IV) preparing for the Supervisory Board opinions providing the basis of performing by the Supervisory Board assessments of the adequacy and effectiveness of the internal control system, including the annual review of the adequacy and effectiveness of the control function, Compliance Department and Internal Audit Department, and
- (V) controlling and monitoring the independence of a statutory auditor and audit firm, particularly in the case when other services than audit of financial statements are provided for the Bank by an audit firm.

In 2023 eleven meetings of the Audit Committee of the Supervisory Board took place, at the following dates:

1Q2023:	26.01.2023, 14.02.2023,
2Q2023:	26.04.2023, 10.05.2023 (by circulation), 28.06.2023 (by circulation),
3Q2023:	21.07.2023 21.08.2023 (by circulation),
4Q2023:	04.10.2023, 25.10.2023, 07.12.2023, 14.12.2023.

Detailed information regarding the issues raised during the meetings of the Committee in 2023 is to be found in the „Report on activities of the Supervisory Board of Bank Millennium S.A. in 2023” in the chapter „Activities of the Audit Committee in the reporting period”.

In the period from 01.01.2023 to 31.12.2023 the Audit Committee of the Supervisory Board of Bank Millennium S.A. functioned in the following composition:

Chairman of Committee: Mr. Grzegorz Jędryś	independent member
Member of Committee: Mr. Miguel de Campos Pereira de Bragança	
Member of Committee: Ms. Olga Grygier-Siddons	independent member
Member of Committee: Ms. Anna Jakubowski	independent member
Member of Committee: Mr. Alojzy Nowak	independent member
Member of Committee: Mr. José Miguel Bensliman Schorcht da Silva Pessanha	

The composition of the Audit Committee satisfied the criteria stipulated in Art. 129 section 1 and 3 of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight.

***Personnel Committee***

The Personnel Committee has existed at the Bank since 2000. Its responsibilities include in particular:

- (I) evaluating candidates for Members of the Bank's Management Board,
- (II) defining and conditions of employment of newly appointed Members of the Bank's Management Board,
- (III) negotiating change of terms and conditions of employment of Members of the Bank's Management Board,
- (IV) with respect to Members of the Management Board defining evaluation criteria, evaluating work as well as deciding on annual bonuses,
- (V) determining terms and conditions of termination of employment of Members of the Bank's Management Board,
- (VI) evaluating policy on variable components of remuneration, and issuing recommendations regarding:
  - a) remuneration amount and components, guided by prudential and stable risk, capital and liquidity management as well as long-term benefit of the Bank,
  - b) variable remuneration of persons occupying management positions in the Bank involved with risk management and with compliance of the Bank's activity with legal and internal regulations.

During the period from 1 January 2023 to 31 December 2023 the composition of the Committee was as follows:

- 1. Alojzy Nowak - Chairman
- 2. Miguel de Campos Pereira de Bragança
- 3. Bogusław Kott
- 4. Olga Grygier-Siddons
- 5. Anna Jakubowski

***Strategic Committee***

The Strategic Committee has existed at the Bank since 2013. The tasks of the Strategic Committee are in particular:

- (I) study of macroeconomic trends,
- (II) study new trends, developments and new solutions in the banking industry,
- (III) analyse Bank competitive position and benchmarking,
- (IV) analyse and recommend long-term strategy, goals and objectives for the Bank.

During the period from 1 January 2023 to 31 December 2023 the Committee worked in the following composition:

- 1. Bogusław Kott - Chairman
- 2. Nuno Manuel da Silva Amado
- 3. Miguel de Campos Pereira de Bragança
- 4. Anna Jakubowski
- 5. Miguel Maya Dias Pinheiro
- 6. Dariusz Rosati
- 7. Lingjiang Xu

### *Committee for the Risk Matters*

The Committee for the Risk Matters was set up on 4 December 2015. Its competences include the tasks stipulated for such committee in the Banking Law and allocated to it in other regulations applicable to banks as well as supervisory recommendations implemented by the Bank, in particular:

- (I) provision of opinions on overall, current and future readiness of the Bank to undertake risk,
- (II) provision of opinions on the strategy of management of risk inherent in the Bank operations, as developed by the Bank Management Board and on information regarding implementation of the said strategy, as submitted by the Bank Management Board,
- (III) provision of support to the Bank Supervisory Board in supervision of implementation of the risk management strategy relative to the Bank operations by the Bank's senior management staff,
- (IV) provision of opinions on the assessment Risk Management Function and Validation Function as well as on exceptional transactions that may impact the Bank risk profile;
- (V) provision of opinion on whether incentives provided by the remuneration policies and practices take into consideration the institution's risk, capital and liquidity and the likelihood and timing of earnings.
- (VI) verification whether prices of assets and liabilities offered to Clients fully take into account the Bank's business model, its risk strategy and in case the prices fail to reflect types of risk appropriately and in keeping with the said model and strategy, submission of proposals to the Bank Management Board to ensure adequacy of prices of assets and liabilities relative to relevant types of risk.

During the year 2023, the composition of the Committee was as follows:

- 1. Mr. Dariusz Rosati - Chairman,
- 2. Mrs. Beata Stelmach,
- 3. Mr. Miguel de Campos Pereira de Bragança,
- 4. Mr. Grzegorz Jędryś,
- 5. Mr. José Miguel Bensliman Schorcht da Silva Pessanha.

According to the „*Policy of Remuneration of Members of the Supervisory Board of Bank Millennium S.A.*”, adopted by the General Meeting, members of the Supervisory Board of the Bank are entitled to monthly remuneration for sitting on the Supervisory Board. The amount of the remuneration is defined by a resolution adopted by the General Meeting with the consideration of the principles stipulated in the Policy, including the principle of its adequacy to the scale of the Bank's operation. The remuneration may be diversified in view of the function performed in the Supervisory Board and should be correlated with the involvement in the work of the Supervisory Board and the level of remuneration received by members of supervisory bodies of institutions with a similar scope and scale of operation. Irrespective of the remuneration for sitting on the Supervisory Board, members of standing committees of the Supervisory Board are entitled to separate remuneration in connection with the tasks performed by them as part of these committees. If the Supervisory Board delegates its member to individually exercise supervision on a permanent basis, the Supervisory Board may assign to such Supervisory Board member additional remuneration for the duration of the delegation, however its monthly amount cannot exceed 100% of the base remuneration for sitting on the Supervisory Board. In case of standing committees of the Supervisory Board the remuneration is payable for participation in their meetings. The total remuneration due to a Supervisory Board member for participation in meetings of committees of the Supervisory Board in a given accounting year cannot exceed 100% of his base remuneration for sitting on the Supervisory Board of the Bank. In connection with remuneration paid, the Bank shall make appropriate deductions under relevant legal regulations. Each of the Supervisory Board members may make a declaration to refrain from collection of all or part of the remuneration. Declarations to such effect shall be submitted to the Chairman of the Supervisory Board.

**Remuneration paid to members of the Supervisory Board in 2023 (in PLN thousand):**

Name and surname	Remuneration for performing functions in the Supervisory Board	Remuneration for participating in Committees	Additional benefits	Total
<i>Bogusław Kott</i>	240	20	25.53	285.53
<i>Nuno Manuel Da Silva Amado</i>	120	0	0	120
<i>Dariusz Rosati</i>	120	50	0	170
<i>Miguel De Campos Pereira De Bragança</i>	120	85	0	205
<i>Olga Grygier-Siddons</i>	120	55	0	175
<i>Anna Jakubowski</i>	120	60	0	180
<i>Grzegorz Jędrys</i>	120	105	0	225
<i>Alojzy Nowak</i>	120	80	0	200
<i>José Miguel Bensliman Schorcht da Silva Pessanha</i>	120	65	0	185
<i>Miguel Maya Dias Pinheiro</i>	120	0	0	120
<i>Beata Stelmach</i>	120	20	0	140
<i>Lingjiang Xu</i>	120	0	0	120
<b>TOTAL</b>	<b>1 560</b>	<b>540</b>	<b>25.53</b>	<b>2 125.53</b>

In 2023, Members of the Supervisory Board received additional remuneration from the Bank's subsidiary companies (in PLN thousand):

Name and surname	Remuneration for performing functions in the Supervisory Board	Remuneration for participating in Committees	Additional benefits	Total
<i>Grzegorz Jedrys</i>	120	20	0	140



The Bank's shares held by Supervisory Board Members (performing their functions on 31 December 2023):

Name and surname	Function	Number of shares 31.12.2023	Number of shares 31.12.2022
Bogusław Kott	Chairman of the Supervisory Board	1 000	1 000
Nuno Manuel da Silva Amado	Deputy Chairman of the Supervisory Board	0	0
Dariusz Rosati	Deputy Chairman and Secretary of the Supervisory Board	0	0
Miguel de Campos Pereira de Bragança	Member of the Supervisory Board	0	0
Olga Grygier-Siddons	Member of the Supervisory Board	0	0
Anna Jakubowski	Member of the Supervisory Board	0	0
Grzegorz Jędrys	Member of the Supervisory Board	0	0
Alojzy Nowak	Member of the Supervisory Board	0	0
Member of the Supervisory Board José Miguel Bensliman Schorcht da Silva Pessanha	Member of the Supervisory Board	0	0
Miguel Maya Dias Pinheiro	Member of the Supervisory Board	0	0
Beata Stelmach	Member of the Supervisory Board	0	0
Lingjiang Xu	Chairman of the Supervisory Board	0	0

## 13.4. MANAGEMENT BOARD

The Management Board is the management body of the Bank and manages the entirety of the Bank's operations. In legal terms, the Management Board operates pursuant to the Code of Commercial Companies and other regulations, the Bank's Articles of Association, resolutions of the General Meeting of Shareholders and the Supervisory Board, as well as provisions of the "*Bank Millennium S.A. Management Board's Operations bylaws*" adopted by the Supervisory Board, which is available from the Bank's website on the "*About the Bank > Corporate Bodies and Governance*" tab, link to website <https://www.bankmillennium.pl/about-the-bank/corporate-bodies-and-governance>.

The competences of the Management Board include all matters that are not reserved for other bodies of the Bank.

The Management Board makes decisions collectively. Resolutions of the Management Board are adopted by ordinary majority of votes of the Management Board Members participating in the voting. In the case of equal votes the Chairman of the Management Board has a decisive vote. Resolutions of the Management Board may be adopted, if at least half of the Management Board Members participate in the voting.

The following persons are authorized to make declarations of will regarding the Bank's property rights and obligations and to sign documents on behalf of the Bank:

- (I) the Chairman of the Management Board individually,
- (II) two other Members of the Management Board acting jointly or one Member of the Management Board acting jointly with a registered proxy or two registered proxies.

Attorneys-in-fact may be appointed to perform specified activities, and shall act individually within the scope of their authorization.

The Management Board of the Bank is composed of at least three persons, including the Chairman of the Management Board. At least half of the Members of the Management Board should be Polish nationals. The Management Board is appointed by the Supervisory Board. The term of office of a Management Board is 3 years. A Member of the Management Board may be recalled by the Supervisory Board at any time.

The Bank's Management Board during the period from 1 January 2023 to 31 December 2023 remained unchanged and consisted of the following persons:

- 1) Joao Nuno Lima Bras Jorge - Chairman of the Management Board
- 2) Fernando Maria Cardoso Rodrigues Bicho - Deputy Chairman of the Management Board
- 3) Wojciech Haase - Member of the Management Board
- 4) Andrzej Gliński - Member of the Management Board
- 5) Wojciech Rybak - Member of the Management Board
- 6) António Pinto Júnior - Member of the Management Board
- 7) Jarosław Hermann - Member of the Management Board

### 1. Joao Bras Jorge - Chairman of the Management Board



Mr Joao Nuno Lima Bras Jorge, graduate of the Management Studies at Universidade Catolica Portuguesa and PADE Advance Management Programme under AESE.

He started his professional career as a stockbroker in 1990. In the ensuing 10 years he worked in investment banking, inter alia, as Member of the Management Board at an investment bank. He also sat on the Board of the Lisbon Stock Exchange.

During the 5 years prior to his move to Poland he held the position of Head of the Retail Banking Customer Division and Coordinator of the Retail Network at Millennium bcp.

Since 19 July 2006 - Member of the Management Board of Bank Millennium S.A., in the years 2006-2008 Head of the Retail Banking Division and from 2009 - Head of the Corporate Banking Area. From 22 April 2010 - Deputy Chairman of the Management Board and since 24 October 2013 - Chairman of the Management Board of Bank Millennium S.A. From 3 June 2019 until the day of merger with Bank Millennium S.A. i.e. 1 October 2019, also First Deputy Chairman of the Management Board of Euro Bank S.A., Acting Chairman of the Management Board.

He is responsible for the work of the Management Board, internal audit, compliance, legal support, HR, marketing communication and public relations, personal data protection and sustainability.

### 2. Fernando Bicho - Deputy Chairman of the Management Board



Mr Fernando Maria Cardoso Rodrigues Bicho graduated from the Economic Department at Universidade Catolica Portuguesa in 1984. In 1993 he obtained an MBA from Universidade Catolica Portuguesa.

He gained his professional experience inter alia in the Portuguese Foreign Investment Institute, Lloyds Bank Plc in Lisbon and Uniao de Banco Portugueses (UBP), later renamed to Banco Mello. He performed duties as fund manager and later in the bank, as Head of the Financial Division, he was in charge of inter alia the treasury and capital markets, securities operations, asset and liabilities management, issues on international capital markets, capital management and investor relations. After the purchase of Banco Mello by Banco Comercial Portugues (BCP) in 2000, Mr Fernando Bicho worked in the BCP Corporate Centre and from June 2001 he was Head of the Asset and Liabilities Management Department of the BCP Group.

Since 1 August 2002 Member of the Management Board of Bank Millennium S.A. (CFO - Chief Financial Officer) and since 20 April 2012 Deputy Chairman of the Management Board. From 3 June 2019 until the day of merger with Bank Millennium S.A., i.e. 1 October 2019, also Deputy Chairman of the Management Board of Euro Bank S.A.

Since 17 September 2020, Chairman of the Supervisory Board of Millennium Bank Hipoteczny S.A.

He supervises treasury, accounting, financial reporting and control, taxes, capital investments, relations with investors and financial institutions, management information and central acquisition, as well as coordination of Group entities (other than leasing, brokerage, related to investment funds and startups).

### 3. Wojciech Haase - Member of the Management Board



Mr Wojciech Haase graduated from the Faculty of Production Economics at Gdańsk University.

He worked at the National Bank of Poland in Gdańsk to be then transferred to the group organising Bank Gdański S.A. In 1989-1997 he worked at Bank Gdański S.A. - first in the Credit Department and then in the Treasury Department. From 1993 he was Deputy Chairman of the Management Board of Bank Gdański S.A. and, next, acting Chairman of the Management Board of that Bank.

Since 27 June 1997 Member of the Management Board of Bank Millennium S.A. Since 4 December 2015 the Bank's material risk management supervisor. Moreover, he supervises risk management, risk models, credit and ratings processes, liabilities collection and treasury control.

### 4. Andrzej Gliński - Member of the Management Board



Mr Andrzej Gliński graduated from the Poznań University of Technology (1994) and completed his post-graduate studies in banking and finance at the Warsaw School of Economics.

From the beginning of his professional career associated with the financial sector: in 1994 he started working at Bank Handlowy S.A. in Warsaw - initially in the Capital Operations Center, from 1995 in the part of the Bank responsible for servicing enterprises, then in managerial positions as a branch director and sales director in the Asset Financing Department. In the years 2001-2004 he was the Vice-President of the Management Board of Handlowy Leasing S.A. Since 2004 he has been associated with the Bank Millennium S.A. Capital Group, initially as the Chairman of Millennium Leasing Sp. z o.o., and then as the Head of the Corporate Banking Area of Bank Millennium S.A.

Member of the Management Board since 22 April 2010. He supervises corporate banking and its support (excluding corporate banking marketing), factoring and trade financing, structured finance, custody, brokerage as well coordination of the Group's entity conducting leasing activity.

### 5. Wojciech Rybak - Member of the Management Board



Mr Wojciech Rybak graduated in economics from the University of Szczecin (1993) and Tempus - Portassit Programme of the University of Antwerp (1992).

Since the beginning of his professional career, he has been associated with banking.

Since May 1996 he has been working in the Bank Millennium S.A. Group.

From August 2003 he was a Member of the Management Board of Millennium Leasing Sp. z o.o., supervising, inter alia, the sales network and from June 2009 until June 2016 - Chairman of the Management Board of Millennium Leasing Sp. z o.o. In 2011 - 2016 a member of the Executive Committee of the Polish Leasing Association, including its Chairman in 2015 - 2016.

Member of the Management Board of Bank Millennium S.A. since 6 June 2016. From 3 June 2019 until the day of merger with Bank Millennium S.A., i.e. 1 October 2019, also Deputy Chairman of the Management Board of Euro Bank S.A.

He supervises the retail sales network, its optimization and support, private banking and direct banking.

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**6. António Pinto Júnior - Member of the Management Board**

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Mr António Pinto Júnior graduated in Economics (1985-1990) from Oporto University and Corporate Finance from Minho University (1993-1994).

He started his professional career in Banco Português do Atlântico (1990), since 1994 part of Millenniumbcp Group, gaining experience in Retail and Corporate Banking by holding managerial positions in the marketing and sales support areas.

Between 2002 and 2011 he worked in Bank Millennium, S.A., as Head of Departments in charge of Marketing, Quality, Processes and Operations, and, from April 2010, as a Member of the Management Board. In the following 7 years he held the position of Head of Retail Banking Marketing Department in Millenniumbcp in Portugal, and between July 2016 and May 2018 was also a non-executive Member of the Management Board of ActivoBank.

Since 20 April 2018 Member of the Management Board of Bank Millennium S.A. From 3 June 2019 until the day of merger with Bank Millennium S.A., i.e. 1 October 2019, also Deputy Chairman of the Management Board of Euro Bank S.A.

He supervises electronic banking, sales campaigns, retail and corporate banking marketing, processes support management, administration and infrastructure, complaints and quality of services, coordination of Group entities from the area of investment funds and startups.

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**7. Jarosław Hermann - Member of the Management Board**

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Mr Jarosław Hermann graduated from the Applied Mathematics and Physics Faculty at the Warsaw University of Technology in 1994 and Carlson School of Management MBA program in 2002.

He gained broad IT & Operations practice working on managerial positions in PepsiCo, Pioneer Financial Services and Accenture, where he conducted mid / large scale projects in the banking sector in Poland and CEE countries.

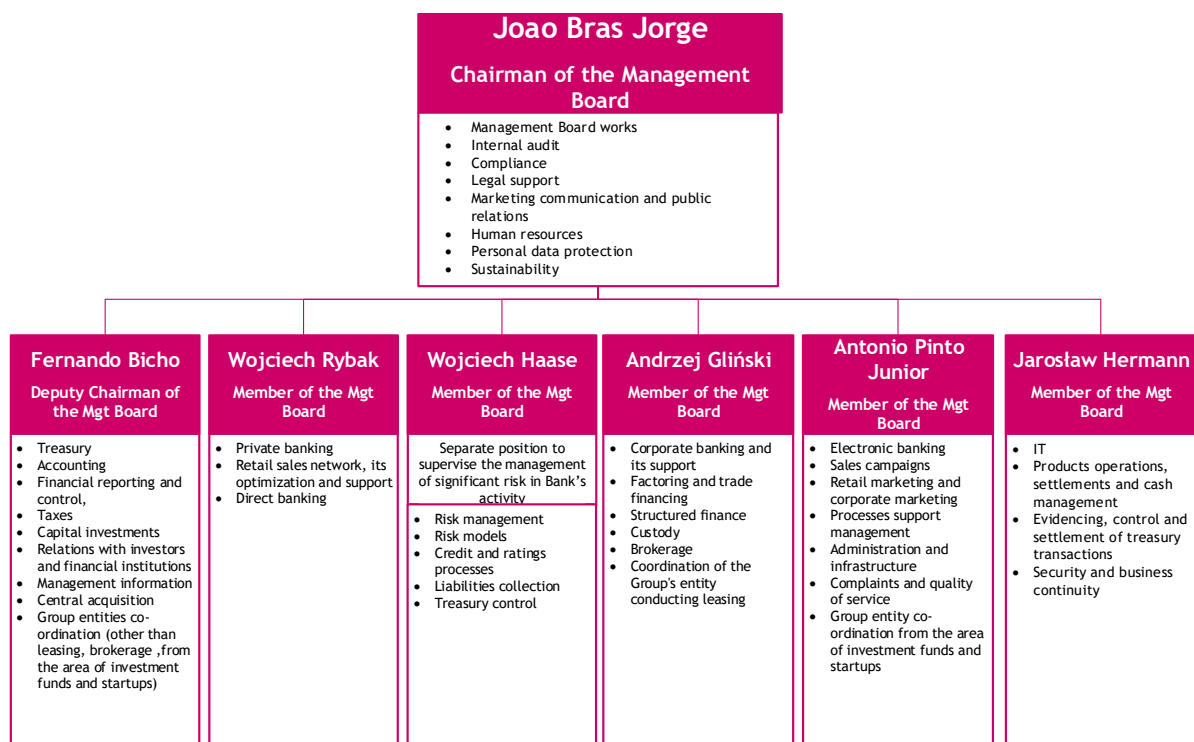
Between 2005-2010 he was Board Member of First Data Poland responsible for providing IT and operational services for card acquiring and financial solutions business lines.

Between 2010-2016 he was Board Member of AXA companies in Poland responsible for IT & Operations.

From 2016 to 2018 he was Vice President of Polskie ePłatności, emerging card acquirer.

Since 1 August 2018 Member of the Management Board of Bank Millennium S.A. He supervises IT, products operations, settlement and cash management, evidencing, control and settlement of treasury transactions, security and business continuity.

The organisational structure of the Bank is consistent with the strategy, modern approach to business and complies with the principles of corporate governance for financial institutions. The division of the tasks between the members of Management Board of the Bank is presented on the following diagram:



The principles of remuneration of the Management Board Members with the amount of salaries, bonuses and other benefits received in 2023 can be found in chapter 12 of this report, part 12.3 entitled "*Remuneration policy*".

The status of shares owned by the Management Board Members who performed their functions on 31 December 2023 was as follows:

Name and surname	Function	Number of shares 31.12.2023	Number of shares 31.12.2022	Including received in 2022 under the incentive program (*)
Joao Bras Jorge	Chairman of the Management Board	380 259	380 259	101 359
Fernando Bicho	Deputy Chairman of the Management Board	176 252	176 252	74 684
Wojciech Haase	Member of the Management Board	151 107	151 107	60 854
Andrzej Gliński	Member of the Management Board	113 613	113 613	60 854
António Pinto Júnior	Member of the Management Board	143 613	143 613	60 854
Wojciech Rybak	Member of the Management Board	43 613	143 613	60 854
Jarosław Hermann	Member of the Management Board	6 000	98 613	60 854

(\*) shares blocked on investment accounts until 13 April 2023.



## 13.5. INTERNAL CONTROL SYSTEM AND EXTERNAL AUDITOR

### Internal Control System

The Bank's internal control system is organised in the framework of the so-called three independent lines of defence, which comprise:

- 1<sup>st</sup> line - the Bank's operating units not belonging to the 2<sup>nd</sup> and 3<sup>rd</sup> line of defence,
- 2<sup>nd</sup> line - Compliance Department and other units managing particular risks,
- 3<sup>rd</sup> line - Internal Audit Department.

The internal control system covers all organisational units of the Bank and subsidiaries belonging to the capital group.

The main objectives of the internal control system are to ensure:

- effectiveness and efficiency of the Bank's operations,
- credibility of financial information (including: completeness, correctness and comprehensiveness of administrative and accounting procedures and fair and true internal and external reporting),
- observance of risk management principles at the Bank,
- compliance of the Bank's activity with laws, internal regulations and market standards.

Based on the developed selection criteria the Bank identified material processes, and then linked them to the general and specific objectives of the internal control system. For material processes the Bank selected controls (control mechanisms) functioning within such processes and selected out of them certain controls of key importance for achieving the objectives of the internal control system assigned to a given process. Key controls have been covered by the monitoring of their observance, such monitoring performed independently by organisational units belonging to the 1<sup>st</sup> and the 2<sup>nd</sup> line of defence in the internal control system.

The linking of the general objectives of internal control and specific objectives isolated as part of them with material processes functioning at the Bank and key controls and principles of independent monitoring of their observance is documented in the form of the Control Function Matrix. The Bank in the Matrix also specified the responsibility of particular organizational units for employing control mechanisms, as well as their independent monitoring.

The Bank has a formalized path of reporting about the results of monitoring controls, ascertained irregularities and status of implementing remedial and disciplining measures. From time to time this information is also transferred to the Internal Audit Department, the Bank's Management Board and Audit Committee of the Supervisory Board.

The Bank's Management Board is responsible for the implementation and functioning of an adequate, effective and efficient internal control system.

The Bank's Supervisory Board exercises supervision and performs the annual evaluation of the implementation and ensuring that the internal control system is adequate and effective (including the control function, Compliance Department, Internal Audit Department).

### Internal Audit (3rd line of defence)

The Internal Audit Department is within the internal control system a specialized unit of the 3rd line of defence which carries out an independent review of processes and internal control in the Bank and the capital group, verifying the implementation of tasks assigned to the 1st and 2nd line of defence.

The aim of the activities is providing the Bank's management with an assessment of the effectiveness and adequacy of the risk management system and the internal control system, as well as adding value and streamlining processes in the Bank and the capital group. When implementing its mission Internal Audit takes into account the strategic objectives and tasks of the organization, as laid down by the

Management Board and Supervisory Board of the Bank. The audit process is performed according to the Audit Charter and Internal Audit Methodology, fostering international standards of internal audit and good banking practices.

The Internal Audit Department is an independent unit, directly reporting to the Chairman of the Management Board of the Bank and the results of its activities are reported to the Management Board, Audit Committee of the Supervisory Board and the Supervisory Board of the Bank.

The activity of Internal Audit is a planned and continuous activity, resulting from the implementation of the mission and objectives, as well as the adopted Department Strategy and based on an annual audit plan. The basis of the planning process is the assessment of the risk of particular areas and processes of the Bank in order to identify increased risk and support the specification of priorities and resources for the implementation of tasks. The planning process takes into account consultations with senior management and owners of key processes. The annual audit plan is approved by the Bank's Supervisory Board and implemented on a quarterly basis by experienced and highly qualified professionals.

Internal Audit performs independent and objective assurance and consulting activities. Assurance activity is carried out as part of process audits, independent review function, branch audits, preventive audits and investigations. Assurance activity includes assessment of the adequacy and effectiveness of the risk management system and internal control system in all areas of banking activity. Advisory services are aimed at supporting the organization in achieving its goals and are provided, as far as their nature does not put under threat the independence, effectiveness and objectivity of Internal Audit's assurance activity, nor is related to the designing of control mechanisms and risk management system.

In 2023 Internal Audit Department performed audit tasks in the Bank, its subsidiaries, external entities to which the Bank, to the extent permitted by regulations, outsourced banking and bank-related operations, as well as within the BCP Capital Group. The planned activity of the Department covered among others audits of key business and support processes and also branch audits and those of compliance with external regulatory requirements. The tasks performed by the Internal Audit Department also included investigations and prevention audits.

The results of the review of the functioning of the entire internal control system as well as its selected components, carried out by the Compliance and Internal Audit Departments in cooperation with the External Auditor, are presented cyclically and are subject to evaluation by the Audit Committee of the Bank's Supervisory Board and once a year to the Bank's Supervisory Board.

### **Internal Control System with respect to the Process of Preparing Financial Reports**

Implemented solutions regarding the internal control system protect to a significant extent the Bank from financial reporting errors and provide the Bank's Management with information which helps evaluate the correctness, efficiency and security of the functioning of the process of preparing financial reports, also in order to ensure the highest possible effectiveness in managing identified types of risks accompanying the process.

The internal control system, introduced by the Management Board of the Bank and incorporating the financial report preparation process, has been designed to facilitate the control of process risk while maintaining appropriate supervision over the correctness of gathering, processing and presentation of data necessary for the preparation of financial reports in keeping with effective laws.

An important element of the internal control system in the process of preparing financial reports is the cooperation of the Audit Committee of the Bank's Supervisory Board with an audit firm providing financial audit services. The Bank prepared the policy of selecting an audit firm for carrying out an audit and policy for providing by an audit firm carrying out an audit, by entities connected with such audit firm and by a member of an audit firm network - permitted services not being an audit. The above-mentioned policies are captured in the document „*Policy of Selecting and Cooperation with*

*Audit Firms*”, which was approved by the Audit Committee of the Supervisory Board on 26 October 2017 and it was last updated on 21 July 2022. The policy specifies:

- 1) The principles of selecting the audit firm to conduct statutory audit and voluntary audit,
- 2) Principles of providing permitted services not being a statutory or voluntary audit by Audit Firm, entities connected with Audit Firm or member of an Audit Firm network,
- 3) Procedure of accepting performance by Other Audit Firms of services other than the statutory audit and the voluntary audit,
- 4) Principles of the Bank’s cooperation with audit firms, entities connected with an audit firm or members of the audit firm network with respect to conducting statutory or voluntary audits and providing permitted services.

The external auditor is selected by the Supervisory Board on the basis of a recommendation issued by the Audit Committee of the Supervisory Board. In addition, in the interest of the quality of financial data presented in the remaining published quarterly reports, the Bank, together with the external auditor, has implemented cooperation procedures ensuring - on an on-going basis - the consultation of important issues connected with the recognition of economic events in the books and financial reports. At meetings of the Audit Committee of the Supervisory Board the external auditor presents key findings relative to financial reporting, consults with the Audit Committee of the Supervisory Board draft reports and proposes an approach to the audit of the annual financial report.

The Bank is covered by the consolidated financial report of the Millennium BCP capital group. In this connection, the annual review of the Bank’s internal control system supporting the process of preparing and disclosure of financial information is also subject to the terms and requirements of consolidated supervision, which is performed by the Bank of Portugal and the European Central Bank. The external auditor of the Millennium BCP capital group participated in 2023 in review of the adequacy and effectiveness of the part of the Bank’s internal control system supporting the process of preparing and disclosure of financial information (financial reporting) and issued an appropriate opinion in this respect.

#### Information on the agreements with the entity authorised to audit financial reports

On December 11, 2023, the Supervisory Board of the Bank approved the selection of Deloitte Assurance Sp. z o. o. as an entity authorized to audit the financial statements of Bank Millennium S.A. and the Bank’s capital group for the years 2023 and 2024. The audit agreement was concluded on December 13, 2023.

Remuneration received by the auditor on account of services provided to the Capital Group of Bank Millennium S.A.

<b>Auditor’s Remuneration</b> <i>(in PLN’000)</i>	<b>2023</b>		<b>2022</b>	
	<b>Bank</b>	<b>Subsidiaries</b>	<b>Bank</b>	<b>Subsidiaries</b>
Statutory audit within the meaning of art. 2 point 1 of the Act on Statutory Auditors	1 416	654	1 925	537
Other assurance services	1 830	250	1 519	239
Tax advisory services	-	-	-	-
Other services	-	-	-	-

Services other than statutory audit:

- a review of the stand-alone and consolidated interim condensed financial reports of Bank Millennium S.A. drawn up as at June 30, 2023,

- review of the interim condensed financial reports of Millennium TFI SA investment funds prepared as at June 30, 2023,
- review of the reporting package of Millennium Leasing sp. z o.o., prepared for the period of 6 months, ended on 30 June 2023,
- review of the consolidation documentation and the reporting package of Bank Millennium S.A. capital group for the period of 6 months, ended on 30 June 2023, prepared in accordance with instructions and group rules of BCP capital group,
- audit of the consolidation documentation and the reporting package of Bank Millennium S.A. capital group for the period of 12 months, ended on 31 December 2023, prepared in accordance with instructions and group rules of BCP capital group,
- procedures for verification of consolidation documentation and the reporting package of the Bank Millennium S.A. capital group for the period of 3 months, ended on 31 March 2023, prepared in accordance with group principles,
- procedures for verification of consolidation documentation and the reporting package of the Bank Millennium S.A. capital group for the period of 9 months, ended 30 September 2023, prepared in accordance with group principles,
- assurance service concerning requirements for safekeeping of customers' assets for 2023 for Bank Millennium S.A.,
- assurance service concerning evaluation of adequacy of the risk management system in 2023 in Millennium TFI S.A.,
- assurance service concerning verification of the internal control system of Bank Millennium S.A. and Millennium Leasing, in accordance with instructions of the group auditor for the period from 1 December 2022 to 30 November 2023,
- assurance service in accordance with MSUA 3000, concerning verification of the remuneration report of Bank Millennium S.A. for 2023,
- assurance service in accordance with MSUA 3000: independent verification of the non-financial data presented within CSR Report,
- Issuance of Comfort Letter in accordance with the National Standard on Related Services 4401 "Engagements to perform agreed-upon procedures regarding transactions in securities which require preparation of a prospectus"

## 14. ACTIVITIES IN THE ESG AREA: ENVIRONMENT, SOCIETY AND GOVERNANCE

ESG (Environmental, Social, Governance) issues have been an integral part of the Bank Millennium Group's business strategy for years. At Bank Millennium, we believe that environmental, social and management issues concern many areas and areas of the Bank's activity, constituting an integral part of business. We believe that achieving the goals set in the strategy is as important as the way of achieving them, with commitment to society and the natural environment, in accordance with high standards of quality and ethics in sales and services.

The Group has been consequently realising the "ESG Strategy of Bank Millennium Group for 2022-2024" was adopted and published. The Strategy is a development and specification of environmental, social and corporate governance objectives presented in the Strategy for 2022 - 2024 "Millennium 2024: Inspired by People".

In 2023 Bank Millennium has joined the United Nations Global Compact ("UNGC") as a direct participant. UNGC is the world's largest UN initiative acting for sustainable business. Joining the UNGC means a commitment to adhere to and implement the Ten Principles of the UN Global Compact covering four key areas: human rights, labour, environment and anti-corruption. The Bank's accession to the UNGC is another major step towards the full implementation of the UN Sustainable Development Goals by the Bank.

The President of the Management Board of Bank Millennium Joao Bras Jorge joined the Program Council of the UN Global Compact Network Poland ("UN GCNP"). The Council develops key directions for the UN GCNP with the goal of providing effective support for businesses to achieving the UN Sustainable Development Goals. The UN GCNP Program Council includes high-level professionals and managers representing UN Global Compact member companies active in a minimum of one program in the following areas: human rights, environmental protection and anti-corruption. Their substantive support constitutes a significant contribution to the activities undertaken by UNGC to build a conscious and sustainable society and economy as well as a climate friendly to people and the Earth.

Bank Millennium implemented documents, which define the main principles related to sustainable development at the level of the entire Bank Millennium Group. These principles are defined in the "Sustainable Development Policy of Bank Millennium S.A." adopted by the Management Board of the Bank, of which the following documents are an integral part published on the Bank's website (<https://www.bankmillennium.pl/o-banku/esg#zasady-esg>).

ESG matters were discussed in detail in the ESG Report of Bank Millennium and Bank Millennium Group for 2023. The ESG Report comprises non-financial information, as mentioned in art. 49b of Accounting Act.

### The most important ESG activities carried out in the year 2023

#### ENVIRONMENT

##### Reducing your own greenhouse gas emissions and resource consumption

The ESG Strategy specifies greenhouse gas emission targets that are consistently implemented. In 2023, Bank Millennium reduced greenhouse gas emissions in scope 1 and 2 (own emissions) by 69.2% compared to the base year 2020, and the Bank Millennium Group by 70.6%.

All electricity purchased in 2023 has certificates confirming its origin from renewable energy sources - wind and solar sources.

In 2023, the Group carried out many activities aimed at reducing the use of energy, water, fuels and other materials and introduced further environmentally friendly solutions in its offices.

##### Environmentally friendly products

In the Strategy for 2022-2024, Bank Millennium has defined goals regarding actively supporting clients in their decarbonisation efforts and as regards providing PLN2 billion in 2022-2024 in financing to the Bank's and the Bank Capital Group's clients for sustainable and transformational projects.

Bank Millennium Group does not provide financing for new: coal mines, investments in energy based on coal sources, excluding new investments related to pollution reduction. Financing in the energy sector is possible only when: its purpose is involvement in non-carbon energy sources or its purpose is energy transition to non-carbon sources.

In 2023, works were carried out to expand the offer of products financing sustainable activities and supporting pro-ecological projects of clients.

### Offer for businesses

In 2023, we made available a loan for the construction of a photovoltaic installation or a power plant. With this product, we support environmentally friendly solutions, energy transition and, at the same time, respond to rising electricity prices. The product is available in two options:

- Photovoltaic loan - self-consumption, with which we can finance 100% of the net construction costs of micro and small photovoltaic installations with a capacity of up to 1 MWp, designed to produce renewable energy entirely for the company's own needs. The loan amount is a maximum of PLN2 million.
- Photovoltaic loan - mix, with which we can finance 80% of the total net construction costs of a photovoltaic installation with renewable energy production for sale and own consumption, with a minimum of 50% self-consumption. The investment may also involve purchase and installation of energy storage up to and including 10 MW. The maximum loan amount in this option is PLN20 million.

As of the end of March 2023, companies could apply to the bank for a Technological Loan, which offers funding in the form of a non-refundable technology bonus provided by Bank Gospodarstwa Krajowego. The Technological Loan is a continuation of the competition known in the past as the Technological Innovation Loan. It allows companies to obtain funding of up to 70% of the eligible costs of an investment project involving the implementation of a new technology, understood as any significant and beneficial change in the process, which was not previously used in the business, and which, at the same time, improves the characteristics of the manufactured product or provided service. The deadline for applications ended on 31 May 2023.

For customers seeking financing for green investment projects we have made available an Environmental Loan. It can be used for investments in energy efficiency, energy savings, including thermal upgrading of buildings, changing the sources of energy used to more environmentally friendly ones, and replacing equipment, installations or process lines with more energy-efficient ones. The Environmental Loan is a competition funded by the European Funds for a Modern Economy (FENG) Operational Program. Support under the competition is offered to businesses from the sector of micro, small and medium-sized enterprise sector (with up to 250 employees) and businesses from the category of small mid-cap companies (with up to 499 employees) and mid-cap companies (with up to 3,000 employees).

The Environmental Loan is a new form of financing green projects, with support for companies in the form of a non-refundable green bonus covering up to 80% of eligible investment costs. Applications for support are accepted by Bank Gospodarstwa Krajowego (BGK). Submission of an application to BGK is conditional on obtaining a loan commitment letter. Bank Millennium is one of the lending banks issuing the commitment letters required to obtain the funding. The call for applications in this round ended in August this year. In 2024, two calls for applications are scheduled for the Environmental Loan competition.

Millennium Leasing is consistently involved in the financing of energy savings investment projects in compliance with the Environmental Policy of the Bank Millennium Group and industrial policy. Millennium Leasing advocates the financing of equipment to generate energy from renewable sources. Since 2019 Millennium Leasing is particularly active in developing the MilleSun program designed to finance PV investments. Leasing panels is a solution targeting commercial undertakings poised to reduce the costs of energy consumption and to modify social awareness when it comes to environmental protection and keen on building their environmentally-friendly image and ensuring economic efficiency of their investments.. In the leasing of PV panels Millennium Leasing cooperates with leading reliable suppliers of these types of installations; it offers safe financing on preferential terms and conditions and a greatly simplified process to lease environmentally-friendly investment



projects. In 2022, Millennium Leasing launched the financing for heat pumps in the MilleSun Program, and in 2023 - for energy storage facilities.

In 2023 Millennium Leasing continued to implement the Mój Elektryk program, which guarantees customers subsidized lease payments for zero-emission vehicles. The purpose of the program is to reduce air pollution emissions by reducing the consumption of fuel generating emissions in transport. It constitutes support and an incentive to opt for zero emission vehicles. Millennium Leasing has participated in the program since 2022. The subsidies are up to PLN4,000 for motorcycles, scooters and quads, up to PLN27,000 for passenger cars (for transporting up to 8 people), and up to PLN70,000 for delivery vehicles up to 3.5t.

In 2023 the Company launched a pilot Preferential Program for financing environmentally friendly assets, which it plans to roll out in full in 2024.

#### **Offer for individual clients**

The current offer of Millennium TFI includes 3 Subfunds, each of which invests at least 50% of assets in other “green” investment funds that meet the criteria of the SFDR. Additional limits have also been introduced to limit the share of funds (instruments) with poor ESG ratings or that are unrated, as well as restrictions for issuers that fail to follow good practices.

#### **Building environmental awareness**

In 2023, the Bank continued its online training “ESG - environmental issues” in a new version. Moreover, a separate training program on sustainable development also covered members of the management boards of Bank Millennium Group companies and selected managers and employees related to the area of sustainable development.

One of the examples of building environmental awareness were the events focused on the premiere of the Report “Millennium Eco-index - eco-innovation potential of regions”, which was created in cooperation with substantive partners: the Patent Office of the Republic of Poland, the AGH University of Science and Technology in Kraków and the Warsaw School of Economics. In April 2023, the Eco-index Millennium 2022 report was published, expanded to include comments from business representatives, non-governmental organizations, local governments and scientists. In November 2023, Eco-index 2023 was released with new statistical data. Bank Millennium has developed an eco-innovation index to check the degree of involvement of individual Polish regions in green transformation. The report contributed to the creation of a kind of platform for discussion on the importance and development of green innovations in our country, and also aimed to encourage cooperation, because as the results of our study show, it is conducive to eco-innovation. The study shows that regulations related to ecology can act as stimulants for innovation, and the implementation of ecological solutions, especially innovative ones, is an investment that brings benefits in the long run.

Moreover, the Bank supported building ecological awareness among business clients, including: within the 6th edition of the Family Business Forum, the U-RODZINY National Congress of Family Businesses or webinars as part of the partnership with the CFO Club (an initiative established by the ICAN Institute addressed to people holding key positions in the area of finance).

## **SOCIETY**

### **Inclusive banking**

According to “Social Impact Principles” the Group engages in the implementation of the Sustainable Development Goals of the United Nations, which is reflected in the strategic activities of the Bank Millennium Group, focused on finding innovative and integrating (preventing exclusion) products and distribution channels, and in the approach to customer service. Our goal is to provide products and services that promote counteracting social exclusion, including providing support to a part of society with fewer opportunities to use digital banking solutions, as well as to promote access to financial products. The Group’s purpose is to dismantle digital and physical obstacles to financial and non-financial services. The bank’s customers can use mobile devices and computers to access the bank’s services, but also a number of additional solutions, such as in the mobile application, customers can buy public transportation and parking tickets, pay for motorway travel without having to stop at the

gates. The electronic banking system also allows clients to use digital identity and engage in remote contact with Polish government offices. The Bank is striving for all our clients, including clients with disabilities to have convenient access to financial services. That is why facilities have been implemented for people with visual and mobility disabilities.

Bank extends its concept of a world without barriers to other areas, in which it is active, including culture sponsoring. Bank, during the Millennium Docs Against Gravity, facilitates access to the world of culture for persons with sight impairments by providing cinema films with audiodescription.

The Bank's representatives also take part in work of Polish Bank Association on improving accessibility of places and services to persons with disabilities.

### **Education activities targeted at customers**

The Bank conducts educational activities in the area of cybersecurity. Communication is addressed to various groups of customers, including seniors, teenagers, parents of younger children. In addition, the Bank publishes warnings about new methods of criminals on its website and in electronic channels.

We support our clients through educational activities which have an impact on conducting business activity and work methods employed, in particular by webinars carried out on our own or together with external partners.

### **Responsible employer**

Bank Millennium creates a friendly work environment for all staff regardless of their gender, age, race, religion, nationality, ethnic origin, disability, political beliefs, trade union membership or sexual orientation, so that everyone may thrive in conditions conducive to professional development in an atmosphere of cooperation and mutual respect. The Bank provides attractive working conditions, development and social support. It offers programs for working parents and encourages participation in charity events, employee volunteering, and sports and cultural activities.

### **The most important awards and distinctions for ESG activities**

ESG activities carried out by Bank Millennium are highly appreciated by the market through various distinctions, such as: the title of European Climate Leader 2023, Polityka's Golden CSR Leaf, second place in the Best Employers Poland 2023 ranking in the "Banks and financial services" category. Moreover, in 2023, Bank Millennium was in the top ten of the 17th edition of the Responsible Companies Ranking - a prestigious list of the largest companies in Poland, assessed in terms of the quality of responsible management in accordance with ESG guidelines.

### **Involvement of the Bank's employees in social activities**

The Bank attaches great importance to engaging employees in social campaigns. In 2023, the Bank Millennium Foundation implemented the next edition of its main employee volunteering programme #stuchaMYwspieraMY.

#stuchaMYwspieraMY is a programme dedicated to all bank employees who want to help the most needy, verify their needs themselves and submit initiatives under the programme in order to obtain a grant for their implementation. Thanks to this, help is provided to beneficiaries - local communities, aid organisations, non-governmental organisations and individuals throughout Poland.

In 2023, the bank implemented an employee volunteering program called Our People'23: Save the Planet, focused primarily on protecting our planet and addressed to all employees of the bank and the Group. As part of the program, the Foundation's goal is to raise ecological awareness and promote ecological values such as: waste segregation, greening space, protection of animals and forests, as well as increasing ecological awareness among society. The program was divided into two interdependent parts: a sports challenge and an eco-volunteer program. Our People'23: Save the Planet means over 1,500 participants, 18 million calories burned, 12.5 thousand sports activities, 131,000 kilometers on foot, 180,000 kilometers on bicycles, as much as 71 tons of CO2 saved and PLN 250,000. PLN of funds collected for eco-volunteering.

## Fostering Culture

Activity in the field of culture has been an important part of the social activities pursued by Bank Millennium for over 30 years now. The Bank supports national as well as local cultural projects.

Bank Millennium is a long-term patron of the Millennium Docs Against Gravity Film Festival. It is the largest film festival in Poland and an important documentary film festival in the world. The 20th anniversary edition of the Millennium Docs Against Gravity festival took place in May 2023, once again in a hybrid formula (attended by a total of over 144,000 people).

In 2023, Bank Millennium became a partner of the Inside Seaside festival, a new event on the Polish music scene. The Inside Seaside Festival is an important new cultural event with a good and diverse musical program and accompanying events for music lovers from all over Poland. The organizers chose a new formula and an unusual date for music festivals, filling a gap in the Polish music market.

## CORPORATE GOVERNANCE

The Bank implements regulations in the field of ESG (Environmental, Social, Governance) and complies with the principles of corporate governance. The company is listed in WIG-ESG - an index of socially responsible companies on the WSE and has been reporting issues related to responsible business for several years.

The basis for defining the approach to sustainable development management is the **Agenda formulated by the UN, comprising 17 goals, 169 targets and 304 indicators. Bank Millennium signed the declaration for the implementation of the UN Sustainable Development Goals in 2017.**

Taking into account the growing importance of sustainable development for the operations of Bank Millennium Group, in 2022 the Bank established the Sustainability Committee and the Sustainability Office, which was transformed in December 2023 into the Sustainability Department.

The Chairman of the Sustainability Committee is the Chairman of the Bank's Management Board. The Committee comprises all Members of the Bank Management Board as well as representatives of units performing tasks related to sustainable development in the Bank and the Bank's Capital Group. Meetings of the Committee are held not less often than once a quarter. The scope of the Committee's tasks includes recommending a sustainable development strategy to the Bank's Management Board, adopting operational plans related to the implementation of this strategy and monitoring the implementation of planned activities, assessing the impact of sustainability principles on the Bank's operations, approving and monitoring KPIs and KRIs in the area of sustainable development, providing the Bank's Management Board with periodic information on key aspects related to sustainable development.

The Sustainability Department is supervised directly by the Chairman of the Bank Management Board. The Department is responsible for supervising and coordinating the process of implementing the principles of sustainability in the Bank and the Bank's Capital Group. The scope of the Department's tasks includes inter alia the following: coordination of work related to the sustainability strategy, cooperation with other units of the Bank and entities of the Bank's Capital Group in the implementation of sustainability principles, ensuring identification of risks related to climate change in the Bank's operations, cooperation with other units of the Bank in the implementation of sustainable products, conducting activities aimed at promoting sustainability principles among the Bank's employees.

In 2023, the Bank implemented "ESG - management and control principles", the aim of which is to provide the Bank Millennium Group with a solid management and control framework for the ESG area (including ESG risk management and control) in full compliance with legal and regulatory requirements, applicable regulations internal and best market practices. Through an integrated approach to managing the impact of ESG factors on financial risks, the adopted ESG risk management and control framework contributes to supporting sustainable development and building the Bank's value in the long term.

## 15. ADDITIONAL INFORMATION

Other information regarding:

- Guarantees and sureties granted,
- Transactions with related companies,
- List of the relevant court cases, arbitration proceedings before an authority or public administration,

can be found in the Annual Consolidated Report of the Bank Millennium S.A. Capital Group for the 12-month period ending 31st December 2023.

As above mentioned, the Bank prepares the separate report comprising non-financial information, which will be published on the Bank's web site on February 28, 2024.

## 16. STATEMENTS OF MANAGEMENT BOARD

### Presentation of asset and financial position of the Bank and Capital Group in the financial reports

According to the best knowledge, the Annual Financial Statements of Bank Millennium and Capital Group of Bank Millennium S.A. as at 31 December 2023 and the comparable data, were prepared in line with the accounting principles, and reflect, truly, reliably, and clearly, the asset and financial position of the Bank and Capital Group of Bank Millennium and their financial results. This Annual Management Board Report on the activity of Bank Millennium and the Group contains a true picture of development, achievements and condition of Bank Millennium and the Capital Group of Bank Millennium.

### Selection of an entity authorized to audit financial reports

The entity authorized to review financial reports that audits Annual Financial Statements of Bank Millennium and the Capital Group of Bank Millennium SA as at 31 December 2023, was selected in accordance with the regulations of law. The entity and chartered accountants, who performed the audit, satisfied all the conditions required to issue an unbiased and independent audit report, as required by the national law.

#### SIGNATURES:

Date	Name and surname	Position/Function	Signature
28.02.2024	Joao Bras Jorge	Chairman of the Management Board	signed with a qualified electronic signature
28.02.2024	Fernando Bicho	Deputy Chairman of the Management Board	signed with a qualified electronic signature
28.02.2024	Wojciech Haase	Member of the Management Board	signed with a qualified electronic signature
28.02.2024	Andrzej Gliński	Member of the Management Board	signed with a qualified electronic signature
28.02.2024	Wojciech Rybak	Member of the Management Board	signed with a qualified electronic signature
28.02.2024	António Pinto Júnior	Member of the Management Board	signed with a qualified electronic signature
28.02.2024	Jarosław Hermann	Member of the Management Board	signed with a qualified electronic signature